

NYCA's

The ReCap

A news to clear your doubts

A Monthly E-Newsletter

September, 2023 / Vol 05






For use by clients and firm personnel only

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KEY METRICS

Indices

BSE SENSEX	65,087	02.16%	
NSE NIFTY50	19646	02.38%	
NASDAQ Composite	14,019	02.27%	

Currency

USD/INR	82.60	02.27%	
EURO/INR	89.06	00.21%	
GBP/INR	105.06	00.46%	



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

COMPLIANCE ALERT

September, 2023

7th Sep - TDS/TCS

TCS payment | TDS payment for Aug, 2023

10th Sep - 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 August, 2023

11th Sep - GST

GSTR - 1: Summary of outward supplies by taxpayers who opted for QRMP Scheme, Jul- Sep, 2023

13th Sep - GST

GSTR 5 - Summary of outward taxable supplies and tax payable by a non-resident taxable person

13th Sep - GST

furnishing the quarterly Form GSTR 1 to file their invoice details on monthly basis.

13th Sep - GST

GSTR 6 (monthly): For Input Service Distributors to provide the details of their inward supplies and distributed ITC

14th Sep - Income Tax

Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M, 194S for July, 2023

15th Sep - PF&ECICI

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

15th Sep - Income Tax

Second instalment of advance tax for the Assessment Year 2024-25

15th Sep - Income Tax

Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of August, 2023

15th Sep - Income Tax

Form 24G : Furnished by a government office where TDS/TCS for the month of Aug, 2023 has been paid without the production of a challan

20th Sep - 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 Jul - Sep, 23

20th Sep - GST

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

25th Sep - GST

PMT-06 : Payment of tax, interest, late fee and penalty under the GST law by taxpayers who have opted for the quarterly filing of GSTR-3B under the QRMP scheme

30th Sep - Income Tax

Filing of audit report under section 44AB for the assessment year 2023-24 in the case of an assessee corporate or non-corporate (who is required to submit his/its return of income on October 31, 2023)

30th Sep - Income Tax

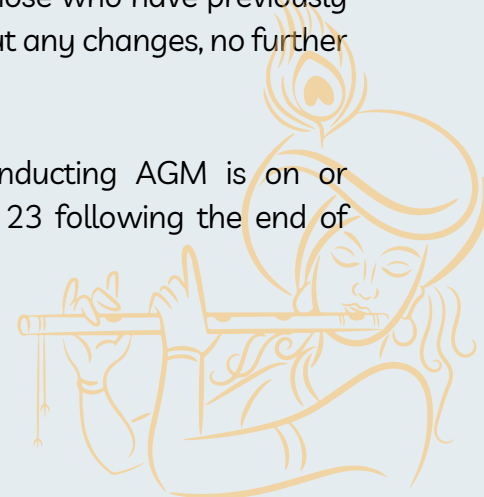
Quarterly statement of TDS deposited for the quarter ending June 30, 2023 (Extended Date-Sep 30, 2023)

30th Sep - MCA

All individuals with a DIN as of March 31, 2023, must file DIR-3 KYC if not done previously or in case of any changes in KYC details, email, or mobile number. For those who have previously filed DIR-3 KYC without any changes, no further action is needed.

30th Sep - MCA

The due date of conducting AGM is on or before the 30th Sep, 23 following the end of financial year.



Direct Tax

Notifications/Circulars

CBDT extends the applicability of Transfer Price Safe Harbour Rules till Assessment Year 2023-24

The CBDT has extended the applicability of Rule 10TD(1) & Rule 10(2A) provisions till Assessment Year 2023-24. Rule 10TD prescribes the list of eligible international transactions where the transfer price declared by the assessee shall be required to be accepted by the Income-tax Authorities.

Notification No. 58/2023 dated August 09, 2023

CBDT Clarifies Foreign Currency Exchange Rate for TDS Deduction on Payable Income

The CBDT has introduced Rule 26 in the Income-tax Rules, 1962, through the Income-tax (Seventeenth Amendment) Rules, 2023, to clarify the foreign currency exchange rate for TDS deduction on payable income. According to the revised rule, when deducting TDS on income payable in foreign currency, the exchange rate for computing the value in rupees will be the telegraphic transfer buying rate of the currency on the date when TDS is required. This applies to payments made by a taxpayer outside India to a unit in the international financial services center or vice versa. The term "telegraphic transfer buying rate" refers to the rate or rates of exchange provided by the State Bank of India under the State Bank

of India Act, 1955, as applicable over time by the Reserve Bank of India for purchasing the same currency available to that bank through telegraphic transfer.

Notification No. 64/2023/F.No. 370142/27/2023-TPL



CBDT issued Guidelines for Mandatory Selection of Returns for Comprehensive Scrutiny in FY 2023-24

The CBDT, through F No. 225/66/2023 – ITA – II dated August 3, 2023, has issued guidelines for the mandatory selection of tax returns for thorough scrutiny for the fiscal year 2023-24. These guidelines, building upon the earlier directive dated May 24, 2023, address situations where information about individuals not directly linked to the taxpayer's business emerges during a search operation. The CBDT clarifies that such cases need not be transferred to the Central Charges unless they align with the specified guidelines.

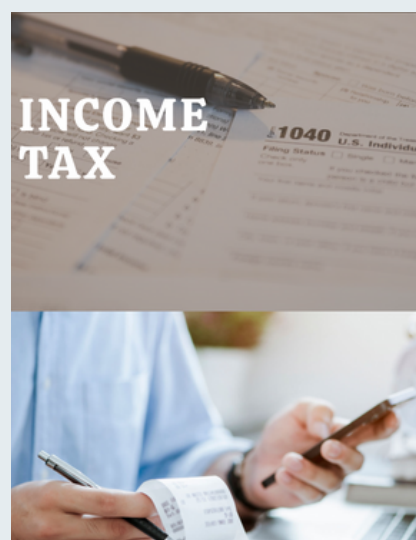
F No. 225/66/2023 – ITA – II dated August 3, 2023

CBDT Extends Applicability of Transfer Pricing Safe Harbour Rules Until AY 2023-24

The CBDT has extended the applicability of Rule 10TD(1) and Rule 10(2A) of the IT Rules, 1962, which are the Transfer Pricing Safe Harbour Rules, until the Assessment Year 2023-24. This means that taxpayers can continue to use the TP Safe Harbour Rules to determine the arm's length price of eligible international transactions for AY 2023-24.

The TP Safe Harbour Rules are a set of rules that provide certainty to taxpayers in relation to transfer pricing. They specify a list of eligible international transactions for which the transfer price declared by the assessee will be accepted by the income tax authorities, provided the transaction meets certain conditions.

Notification No. 58/2023/ F. No. 370142/26/2023-TPL



Judicial Rulings

Order transferring jurisdiction without incriminating material linking assessee to searched person is unjustified: HC

Where pursuant to search and survey conducted upon a group concern in Jaipur and upon a company located in Mumbai in which assessee was a director, an order was passed to transfer assessee's assessment under section 127 from Mumbai to Jaipur, since impugned order was passed in absence of any requisite incriminating material which could connect either assessee or his company with said group concern of Jaipur and there was no sustainable reasons for transfer.

[2023] 152 taxmann.com 340 (Bombay) [20-04-2023]

Notice issued relying upon info. that assessee received accommodation entry in penny scrip is valid: HC

The Assessing Officer, having received information from the Investigation Wing, alleged that the assessee received a bogus accommodation entry in a penny stock. The nature of this entry prompted the Assessing Officer to consider an addition to the total income of the assessee. Based on the material presented, the Assessing Officer found reason to believe that there was an escapement of income, prompting the exercise of powers under section 148. This intricate connection between the received information, the alleged bogus entry, and the subsequent invocation of section

148 underscores the critical role played by evidence and investigative findings in the initiation of reassessment proceedings.

[2023] 153 taxmann.com 25 (Gujarat)[05-05-2023]

Recording of satisfaction note is must before transferring record to another AO having jurisdiction over other person

AO of the searched person and the other person is one and the same, then also AO is required to record the satisfaction, as held by the various In the instant case, no such material has been brought before us by the ld. DR. In view of the above discussions, since the satisfaction was not recorded by the Assessing Officer before issue of notice U/s. 153C of the Act, we are of the considered view that the order passed by the Ld. CIT(A) U/s. 153C of the Act deserves to be set aside for all the impugned assessment years. It is ordered accordingly.

[2023] 152 taxmann.com 332 (Karnataka) [31-03-2023]

Successor will be entitled to claim Dep. on cost of assets which was paid to predecessor after revaluing assets: HC

The court assessed whether the Income Tax Appellate Tribunal (ITAT) was in error by allowing the assessee to claim depreciation on revalued assets. The assessee, Dharmanandan Diamonds Pvt. Ltd., had been formed to take over all assets and liabilities of a prior partnership firm. After revaluation by a government-approved valuer.

the company claimed depreciation on these assets. The ITAT approved this claim, leading to the appeal in the Bombay High Court. The court held that as per proviso to Section 32, the aggregate depreciation allowable to the predecessor (the partnership firm) and the successor (the company) shall not exceed the deduction calculated as if the succession had not taken place. The actual cost of the said assets to the assessee will be the cost which the assessee paid to the predecessor after revaluation. Therefore, the court agreed with ITAT's decision, stating that the assessee would be entitled to claim depreciation for subsequent years based on the actual cost paid.

[2023] 152 taxmann.com 560 (Bombay) [14-06-2023]

AO cannot treat additional income for excess stock as unexplained if assessee explained the source of the excess stock

Where assessee had admitted certain sum towards excess stock found during course of survey, since excess stock found during course of survey did not have any independent identity as asset was a mixed part of overall stock found in business premises of assessee, which represented business income and moreover, assessee had explained source for excess stock i.e., out of income earned from current year business.

[2023] 152 taxmann.com 595 (Chennai - Trib.) [05-04-2023]



Indirect Tax

Notifications/Circulars

CBIC Extends Due Date for Filing GSTR-1, GSTR-3B, and GSTR-7 for April-July 2023 in the State of Manipur

The Central Board of Indirect Taxes and Customs (CBIC) has extended the filing deadlines for GSTR-1, GSTR-3B, and GSTR-7 for the months of April, May, June, and July 2023 for taxpayers located in Manipur. The new due dates for these returns have been set as August 25, 2023, providing relief to businesses in Manipur for compliance with Goods and Services Tax (GST) filings.

Notification No. 41, 42, 43, 44, Central Tax, all dated August 25, 2023

Important SOP issued by Kerala GST Dept. for monitoring ineligible IGST input tax credit reversal by taxpayers in return form GSTR 3B

This Standard Operating Procedure (SOP) highlights the significance of accurate reporting in GSTR 3B returns for the proper settlement and apportionment of Integrated Goods and Services Tax (IGST) funds among states and the central government. The fund transfer is based on cross-utilization of IGST and involves the periodic transmission of reports by GSTN. The SOP emphasizes the need for correct data in GSTR 3B and addresses concerns about taxpayers not fully complying due to a lack of awareness or reluctance. The document stresses the importance of reversing ineligible IGST credit to prevent ad-hoc

settlements, ensuring a monthly settlement of 50% to the state share. The SOP outlines procedures to ensure timely and accurate reversal of ineligible IGST credit to enhance the efficiency of fund settlement processes.

SOP -1/2023 dated August 21, 2023



CBIC notifies the common adjudicating authority for adjudicating the show cause notices

By utilizing the authority vested in Section 5 of the Central Goods and Services Tax Act, 2017, and Section 3 of the Integrated Goods and Services Tax Act, 2017, the government, through a notification, has appointed the Joint or Additional Commissioner of Central Tax in Bengaluru South Central Excise and GST Commissionerate as the common authority for

adjudicating on multiple notices issued to 'BSH Household Appliances Manufacturing Pvt. Ltd' with distinct GSTINs in Mumbai, Bengaluru, and Chennai. The CBIC appointed Joint or Additional Commissioner of Central Tax, Bengaluru South Central Excise and GST Commissionerate as authority to exercise the powers and discharge the duties conferred or imposed on officers.

Notification No. 35/2023 – Central Tax dated July 31, 2023

CBIC Notifies Amendment to CGST Rules as per Recommendations of 51st GST Council Meeting

The GST Council in its 51st meeting recommended certain amendments in the CGST Act 2017 and IGST Act 2017, including amendment in Schedule III of CGST Act, 2017, to provide clarity on the taxation of supplies in casinos, horse racing and online gaming. The Council also recommended to insert a specific provision in IGST Act, 2017 to provide for liability to pay GST on the supply of online money gaming by a supplier located outside India to a person in India, for single registration in India for the said supplier through a simplified registration scheme and also for blocking of access by the public to any information generated, transmitted, received or hosted in any computer resource used for supply of online money gaming by such supplier in case of failure to comply with provisions of registration and payment of tax.

Press Release 51 GSTC, 2nd August, 2023

Judicial Rulings

Bombay HC held section 13(8)b and section 8(2) of IGST constitutionally valid and legal

The Hon'ble Bombay High Court held that provisions of section 13(8)(b) and section 8(2) within the Integrated Goods and Services Tax Act, 2017 ("the IGST Act"). However, it's important to note that these specific sections are applicable only to the IGST Act and cannot be extended to impose taxes on services under the Central Goods and Services Tax Act, 2017 ("the CGST Act") and the Maharashtra Goods and Services Tax Act, 2017.

*[2023] 151 taxmann.com 91 (Bombay)
[06-06-2023]*

GST applicable on promotion incentives of sale of products purchased via distributors: AAAR

The Appellate Authority for Advance Ruling observed that the agreement was established between the appellant and the manufacturer, not with the distributors. The incentive was received directly from the manufacturer and was not specifically tied to invoices for goods purchased from distributors. Consequently, the specified conditions for excluding the incentive as a trade discount from the taxable value were not met since the incentives received were distinct from transactions with distributors. Hence, it was held that the incentives should not be considered as trade discounts and cannot be deducted from the taxable value.

[2023] 151 taxmann.com 351 (AAAR-MAHARASHTRA)[13-06-2023]

GST authorities have power to conduct search and seizure proceedings in against SEZ units: HC

The Gujarat High Court, in its judgment, determined that GST authorities possess the authority to carry out search and seizure actions against assesses functioning within a Special Economic Zone (SEZ). Additionally, the Court imposed costs on the assessee for abusing the due process of law.

*[2023] 151 taxmann.com 134 (Gujarat)
[06-06-2023]*



ITC can't be denied to the buyer merely because GST registration of supplier was cancelled retrospectively: HC

In this case, the Hon'ble High Court observed that during the transaction, the supplier's name as a registered taxable person was already recorded by the Government. The petitioner had

made payments for the purchased items, including the applicable tax, through a bank transaction, not in cash. Consequently, it could not be argued that the petitioner had failed to comply with any statutory obligations before engaging in the transactions, as there was no inadequate verification.

Therefore, the Court ruled that the order rejecting the petitioner's Input Tax Credit (ITC) claim should be overturned. The department was directed to reconsider the petitioner's grievance, taking into account any documents that the petitioner intended to present in support of their ITC claim.

*[2023] 151 taxmann.com 270 (Calcutta)
[12-06-2023]*

Interest payable for delayed GST refund disbursement: Jharkhand HC

In the case, the hon'ble Jharkhand High Court has directed processing of refund claim with interest when refund was initially sanctioned but not released citing technical difficulties. Regarding this, petitioner was informed after 30 months that order rejecting refund was issued but not served to petitioner. Department asked the petitioner to file fresh refund.

The court observed that filing refund claim again would result in loss of interest. So, the court held that the petitioner is entitled to interest after expiry of 60 days from receipt of application for refund at rate of 6% per annum till date of payment of refundable amount. Also, the court directed to process the claim refund along with interest within weeks.

*[2023] 151 taxmann.com 391 (Jharkhand)
[12-06-2023]*

Corporate & Allied Laws

Notifications / Circulars

MCA issues circular to condone delay in filing of forms by LLPs

The Ministry of Corporate Affairs (MCA) has issued a circular to condone delays in filing certain forms by Limited Liability Partnerships (LLPs) due to technical issues faced by stakeholders in filing these forms under the MCA v3 portal. The MCA has decided to grant a one-time relaxation in additional fees and protection towards liabilities against action for delayed filings to promote ease of doing business.

[GENERAL CIRCULAR NO. 08/2023\(F.NO. POLICY-01/2/2021-CL-V-MCA-\(PART-1\)\)](#)

IRDAI allows for modification of withdrawn life insurance products to benefit policyholders

Companies can provide new riders to current policyholders on withdrawn plans. Flexible Payments: Provide the option to modify the premium payment mode. Lower Interest Rates: A reduction in interest rates for policy revivals and policy loans, if any is permitted.

[IRDAI/ACTL/CIR/PRO/166/08/20231\)](#)

MCA Introduces the Web Version of Form No. RD-1 on V3 Portal

The Ministry of Corporate Affairs MCA has introduced the Companies (Incorporation) Second Amendment Rules, 2023, which include a web form on the V3 Portal called Web Form RD-1. This form simplifies the application process to the Regional Director,

allowing users to apply for the 'Notice of Approval of the Scheme of Merger in CAA-11'. The updated form requires detailed information about the transferor company to ensure a transparent and legitimate merger process. This development will streamline the process of filing the notice and benefit businesses looking to merge by reducing time and effort.

[Notification G.S.R.__\(E\), Dated 02.08.202324](#)



Insurance claims relating to Floods in Himachal Pradesh

IRDAI has issued directions on reinsurance claims related to floods in Himachal Pradesh. General insurers and standalone health insurance companies are advised to mobilize all resources, including outsourced functions, and nominate a senior executive as the nodal claims officer to oversee the claims response and inform the chief secretary of the state immediately.

Guidelines for insurers to expedite and streamline the claims process in areas affected by floods include setting up special claims desks and engaging an adequate number of surveyors and loss adjusters.

Insurers should also activate 24x7 helplines and encourage policyholders to use electronic communication for correspondence and claim filing. Claim payments and on-account payments should be disbursed quickly, and only necessary documentation should be required for expeditious final settlement. Insurers are also advised to submit information related to flood claims to the IRDAI on a weekly basis for a month.

[IRDAI/NL/CIR/MISC/161/08/2023](#)

Facility to remedy erroneous transfers in demat accounts

SEBI (Securities Exchange Board of India) has established a mechanism to simplify the reversal of erroneous transfers by depositories. This protocol entails the formation of an internal and joint committee led by a Public Interest Director. Depositories are required to report all cases of erroneous transfers to the committee and ensure that investors and DPs have the ability to add and authenticate beneficiaries before off-market transfers commencing from 01-01-2024. The implementation of this circular will be immediate.

[Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/139, Dated 08.08.2023](#)



Policies & Schemes

SBI - WORLD BANK - GRID CONNECTING ROOFTOP SOLAR PV PROGRAM

Background

GOI has set an ambitious growth target of installation of 175 GW aggregate capacity of renewable energy by 2022.

Out of total 175 GW, target of 100 GW is set for Solar Power under which 40 GW is to be achieved from GC RSPV.

MNRE had approached SBI to develop a Program for funding grid connected rooftop solar projects through WB funds.

As a result, SBI has prepared the Program for financing grid connected rooftop solar projects.

Financing modes

Program Mode -

- Under this mode, Master Line of Credit/loan facility will be sanctioned to the Borrower to execute multiple rooftop solar projects.
- Master Line of Credit is proposed since normally rooftop solar projects would be of small size and it would be difficult for the Borrower to approach for approval of all projects at one go.
- The facility can be sanctioned to the Borrower based on following indicative parameters:
 - (a) Past financials of the Borrower
 - (b) Experience in rooftop Solar PV projects
 - (c) Number of projects executed in the past
 - (d) Projected pipeline of the rooftop solar PV projects

Project Mode -

- Borrower will develop a single project and avail funds for this project only.
- The facility would be sanctioned by sanctioning authority and a single loan agreement with all applicable terms and conditions would be executed.
- Proposal will include projects from single roof owners only. However, if the roof owner owns multiple roofs at the same/multiple locations and want to install rooftop solar project on all the roofs at a single time or in phases, then the proposal shall fall under project mode.



Target group

- Sole Proprietorship Firm
- Partnership Firm
- Limited Liability partnership Firm
- Company

- NBFC
- SPV

Eligible Projects

1. Program fund will be available for Grid Connected Rooftop Solar PV projects of commercial, industrial, and institutional buildings-both public and private or any other structure in all parts of India (excluding subsidy linked projects)
2. Eligibility of the projects are as under:

For Program Mode:

- Proposal include aggregate multiple projects.
- Minimum aggregate projects capacity to be submitted shall be at 1 MWp.
- Minimum capacity of sub projects under this mode shall be 20 kWp.

For Project Mode

- Proposal include single project.
- Minimum project capacity to be submitted shall be 100 kWp
- In case of CAPEX model systems lower than 100 kWp may be considered.

Types of Facility

- Term Loan
- Need based Working Capital against receivables.
- Need based NFB (LC/BG) facility

Authorized Branches

- CAG and MCG: All Branches
- NBG: Identified Branches.
- PFSBU (Mumbai & New Delhi Cell)

Benchmark Parameters and terms and Conditions for Financing

Parameter	Details
Eligibility Criteria	<ol style="list-style-type: none"> 1.Type of borrower and maximum exposure <ul style="list-style-type: none"> • Sole Proprietorship – Max Exposure upto Rs. 50 crore • Partnership Firm –Max Exposure upto Rs. 50 crore • Corporate/SPV/NBFC- No Cap (subject however, to laid down exposure caps) 2.In case of RESCO borrower, they should possess at least 1 years' experience/past track record in power sector. 3.Borrower should have CRA rating of SB-10 & better and/ or ECR of Investment grade (BBB-) and better. <ul style="list-style-type: none"> • [Note: External Credit Rating is mandatory for exposure of Rs.10 crore and above].
Debt : Equity Ratio	<ul style="list-style-type: none"> • 70:30
Net Long Term Debt /EBITDA)-Maximum	<ul style="list-style-type: none"> • 4:1
Loan Tenor (Maximum)	<ul style="list-style-type: none"> • Door to Door tenor at Max 15 Years (comprising construction, moratorium and repayment period).
DSRA	<ul style="list-style-type: none"> • Equivalent to 3 months' principal and interest (Minimum).
Fixed Asset Coverage Ratio (FACR) in a year	<ul style="list-style-type: none"> • Above 1.25
Collateral Security	<ul style="list-style-type: none"> • FACR : 1.25 • Notwithstanding the security stipulated, the Bank may where it is deemed necessary, on a case to case basis, stipulate such collateral security as required.
Guarantee	<ul style="list-style-type: none"> • Sole Proprietorship /Partnership Firm/ Company:personal guarantee of proprietor/ partners/directors to be obtained. • SPVs/Associates/ Subsidiaries: Corporate Guarantee of sponsor may be explored.
Re-imbusement	<ul style="list-style-type: none"> • Compliance with the above mentioned parameters will be verified for reimbursement of capital expenditure incurred by a unit from its own resources during the period of preceding 12 months, or upto 12 months from date of PPA, whichever is later, in accordance with the Bank's instructions in this regard. • The expenditure should be supported by a certificate from Statutory Auditor of the borrower and duly vetted by Bank's empanelled LIE. • All clearances/approvals required for the project are to be in place

Professionals Desk

Transfer Pricing

Introduction

The transfer pricing regime applies to both domestic and international transactions that fall above a threshold in terms of deal value.

According to the rules and regulations, income arising from international transactions or specified domestic transactions between Associated Enterprises (AE) should be computed using the arm's-length price principle.

India's TP regulations provide a detailed statutory framework for the computation of reasonable, fair, and equitable profits and tax. Relationships falling under the AE category include direct/indirect participation in the management, control, or capital of an enterprise by another enterprise. They also cover situations in which the same person participates in the management, control, or capital of both enterprises.

For tax purposes, companies are required to record the exchange of goods using the arm's-length principle, which states that the prices charged by affiliated companies should be equivalent to the prices that would have been charged by an unrelated third party.

Safe Harbour Rules:

The safe harbor provisions provide relief from compliance and litigation, as well as simplify the administrative process. They prescribe the eligibility criteria for taxpayers, eligible international transactions, the target operating margin, procedural aspects, timeline for audit, etc.

Safe harbor rules refer to those legal provisions that reduce or

eliminate the liability of the taxpayers given certain conditions are fulfilled, as they provide for circumstances in which a certain category of taxpayers can follow a prescribed set of rules under which transfer prices are automatically accepted by the income tax authorities.

Transfer pricing provisions under India's Income Tax Act

- Two or more enterprises are associated enterprises if:
 - One of them participates in the management, control, or capital of another; or
 - There is common management, control, or capital exercised by some persons.



Methods for Determining Arm's Length Price

- **Comparable Uncontrolled Price (CUP) Method:** The price charged or paid for property transferred or services provided in a comparable uncontrolled transaction + Adjustments.

- **Re-sale Price Method (RPM):** Resale Price charged by the tested party for the goods or services obtained from the AE to the unrelated party minus the normal uncontrolled gross profit and the expenses incurred by the assessee + Adjustments.
- **Cost Plus Method (CPM):** A sum of direct and indirect costs incurred and [normal uncontrolled gross profit + Adjustments]
- **Profit Split Method (PSM):** Employed in transactions involving the transfer of unique intangibles. The combined net profit of the AEs in a transaction is compared to their relative contribution to arrive at an apportioned transfer price profit.
- **Transaction Net Margin Method (TNMM):** The net profit of the tested party is determined against costs incurred, sales affected assets employed or any other relevant base, and the same is compared against the net profit of comparable determined against the same base + Adjustment.
- **Other Method:** The other method can be any method that considers the price that has been charged or paid or would have been charged or paid for the same or similar uncontrolled transaction with or between unrelated parties under similar circumstances, considering all the relevant facts.

Introduction of a master file and country-by-country reporting (CbCR)

The efforts by OECD's BEPS project have led to the formulation of proposals to implement the "minimum standards," including Country-by-Country Reporting (CbCR). Globally, CbCR applies to MNCs with a combined revenue of US\$890 million or more. Under the CbCR requirement, large MNCs have to provide an annual return, which breaks down key elements of the financial statements by jurisdiction.

Transfer Pricing Related Penalties

- This section delves into the history and rationale behind transfer pricing taxation regimes. It's crucial to note that transfer pricing navigates economic principles in a dynamic market. As a result, ongoing developments continually shape new methods and techniques to determine the optimal transfer price for various stakeholders in the system.

- From a financial perspective, transfer pricing is probably the most important tax issue today globally. This is partly because the term "MNE" not only covers large corporate groups but also smaller companies with one or more subsidiaries or permanent establishments (PEs) in countries other than those where the parent company or head office is located.



Transfer Pricing related penalties

Nature of default and relevant sections under the Income Tax Act, 1961	Nature of penalty
Section 270A: Under-reporting or misreporting of income	A sum equivalent to 50% of the amount of tax payable on under-reported income.
	A sum equal to 200% of the amount of tax payable on under-reported income where under-reported income is in consequence of any misreporting.
	Underreporting of income does not include a transfer pricing adjustment where the taxpayer has declared the international transaction, maintained information and documents as prescribed, and disclosed all the material facts relating to the transaction
Section 271AA: Failure to maintain transfer pricing documentation, failure to report the transaction, maintenance or furnishing of incorrect information/document	2% of the value of the international transactions
Section 271BA: Failure to furnish accountant's report	INR 100,000 (US\$1346.20)
Section 271G: Failure to furnish documents/report transaction	2% of the value of the international transactions
271GB: Failure to furnish the documents prescribed under Section 286.	INR 5,000 (US\$67.33) per day up to service of penalty order.
	INR 50,000 (US\$673.30) per day for default beyond the date of service of the penalty order.

CFO's Eye

Sebi mandates additional disclosures for certain FPIs, releases criteria and exemption details

SEBI, the market regulator, has introduced criteria for foreign portfolio investors (FPIs) to submit disclosures as part of amendments to the Sebi (FPI) Regulations. The move comes after concerns were raised about certain FPIs holding a concentrated portion of their equity portfolio in a single investee company or corporate group. The disclosed details must include entities holding ownership, economic interest, or control in the FPI, with a focus on natural persons. FPIs holding over 50% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group or exceeding INR 25,000 crore of equity AUM in Indian markets are subject to the criteria. Certain exemptions apply, including government-related investors, specific pooled investment vehicles, and FPIs unable to liquidate excess investments due to statutory restrictions. Timelines for compliance with the mandate are outlined in the circular.

Sebi plans to introduce these key initiatives in the current fiscal year

The Securities and Exchange Board of India (SEBI) is gearing up for a series of initiatives in the current financial year, according to its annual report for 2022-23. The regulator's agenda includes addressing key issues in primary and secondary markets, mutual funds, market infrastructure

intermediaries, and regulatory frameworks for delisting, takeovers, and suspicious trading activities. SEBI aims to leverage consultation and cutting-edge technologies to enhance the accessibility, resilience, and security of the securities market, with a commitment to maintaining a balance between market regulation and development.



RBI Monetary Policy Highlights: MPC keeps repo rate unchanged at 6.5%; inflation for FY24 pegged at 5.4%

This is the third meeting on the trot that the MPC decided to maintain the status quo on the repo rate. The MPC last raised this rate from 6.25 per cent to 6.50 per cent at its meeting in February. India's GDP likely to grow at 6.5% in FY24, said RBI Governor Shaktikanta Das. RBI pegged inflation for FY24 at 5.4%. RBI Governor has said that Indian

economy is the bright spot in the global economy. RBI to allow offline payment of UPI by using near-field communication. The central bank raised payment limit via UPI lite to Rs 500 from Rs 200. Home loan, other borrowers can switch to fixed-rate regime, says RBI.

IFRS Releases New Global Sustainability Disclosure Standards

The introduction of the International Sustainability Standards (ISS) marks a significant development in the Environmental, Social, and Governance (ESG) landscape. Interested stakeholders must vigilantly monitor responses from securities regulators, jurisdictional authorities, and early adopters. A prudent wait-and-see approach is anticipated among companies to assess the adoption of these standards in various jurisdictions and the potential impact of the finalized Environmental, Social, and Governance Reporting Standard (ESRS) and SEC climate rule on the broader ESG framework. The ISSB has facilitated a better understanding of the Standards by providing resources such as the Standards' Project Summary, Effects Analysis, "Ten Things to Know About the First ISSB Standards," and the Basis for Conclusions on IFRS S1 and IFRS S2. As the ESG landscape evolves, staying informed about the ISS and related developments is crucial for navigating the changing regulatory environment effectively.

Systems & forensics

Guarding Against Scholarship Fraud

The escalating costs of higher education have prompted students and parents to actively seek financial aid, a trend that unfortunately exposes them to the looming threat of scholarship fraud. Understanding the tactics employed by fraudsters and adopting proactive measures is crucial in fortifying defenses against such scams.

Navigating the Perils:

Candace's Ordeal Candace's story serves as a poignant cautionary tale. Enticed by a social media ad promising "Fast scholarship money now!" she unwittingly became entangled in a web of deceit. Fraudsters often employ tactics like demanding upfront payments disguised as application fees, cleverly avoiding traceable methods. The repercussions extend beyond monetary loss, as victims find their personally identifiable information (PII) compromised, heightening the risks of identity theft.

Legal Safeguards:

The U.S. College Scholarship Fraud Prevention Act In response to the growing menace of scholarship fraud, the U.S. Congress took a decisive step by enacting the College Scholarship Fraud Prevention Act of 2000 (CSFPA). This legislation grants the Department of Justice (DOJ) the authority to prosecute fraudsters involved in wire and mail fraud, conspiracy, false statements, false identification, and potential identity theft. Collaborative efforts with the Federal Trade Commission (FTC) further aim to enhance public awareness and establish preventive measures.

Empowering Vigilance: A Collective Responsibility

As scholarship fraud continues to evolve, fostering a collective sense of responsibility becomes imperative. Educational institutions, government bodies, and the private sector must collaborate to enhance security measures, educate prospective students, and streamline reporting mechanisms for suspected fraudulent activities. Additionally, ongoing research into emerging fraud tactics can help adapt preventive strategies and stay one step ahead of those seeking to exploit the pursuit of educational opportunities.

Common Schemes and Tactics

- **Financial Aid Schemes:** Scammers pose as legitimate agencies, seeking sensitive information for fraudulent financial aid applications.
- **Scholarship Matching Services:** Companies promise exclusive scholarships for a fee, often providing outdated or publicly available information.

- **For-Profit Scholarship Scams:** Offering authentic applications, these scams require fees, resulting in substantial profits for scammers.
- **Scholarship Prize Schemes:** Victims are told they've won scholarships but must pay fees, leading to financial loss without receiving any scholarship.
- **Seminar Schemes:** Scammers host events claiming to reveal "secret" scholarships, pressuring attendees into upfront payments and compromising their PII.



Protective Measures: Best Practices

To avoid falling victim to scholarship fraud:

- **Be Skeptical:** Approach unsolicited offers cautiously, especially if they seem too good to be true.
- **Verify Legitimacy:** Thoroughly research scholarship providers, checking websites, contact information, and reviews.
- **Don't Pay for Scholarships:** Legitimate scholarships don't require payment for applications or information.
- **Protect PII:** Avoid sharing sensitive information like Social Security numbers, bank details, or passwords.
- **Use Official Channels:** Apply through reputable sources like school departments, established websites, or well-known search engines.
- **Check with Your School:** Confirm scholarship legitimacy with the school's financial aid office.
- **Due Diligence for Seminars:** Research seminar organizers to ensure legitimacy and avoid PII compromise.

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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