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NEWSLETTER

DIRECT TAX NEWS

I-T DEPARTMENT CONDUCTS SEARCHES ON TWO LUDHIANA-BASED REAL ESTATE DEVELOPERS

The Income-Tax Department has conducted searches on two major Ludhiana-based real estate developers that allegedly received unaccounted cash pertaining to property transactions. The searches were carried out on about 40 premises linked to the two groups. The agency claims to have seized documentary evidence in the nature of sale deed for certain properties. "These documents indicate that the 'agreement to sale' for plots has been executed at a much higher amount/rate as compared to the consideration disclosed in the registered sale deed of the plot," it said.

Unaccounted cash expenditure was also incurred on the construction of a residential house of one of the key persons, said the agency. In the case of one group, defaults on compliances for the provisions of tax deduction at source were detected with regard to payments made to the sellers of the land.The search is said to have led to the seizure of ₹2 crore in cash, foreign exchange and jewellery worth ₹2.30 crore.

NET DIRECT TAX REVENUE ROSE 68% TILL NOVEMBER 23: MOS

The net direct tax collection grew almost 68% during the April 1-November 23 period to more than ₹6.92 lakh crore, Minister of State for Finance Pankaj Chaudhary said on Monday. "The Net Direct Tax Collection figures for the FY- 2021-22 as on 23.11.2021 are at ₹6,92,833.6 crores showing a growth of 67.93% and 27.29% over the net collection figures for the corresponding period FY2020-21 and FY 2019-20," he said in a written reply in the Lok Sabha.

The net collection between April 1 - November 23 in 2020-21 and 2019-20 fiscals was more than ₹4.12 lakh crore and over ₹5.44 lakh crore, respectively. The gross direct tax collection (before adjusting refunds) as of November 23 stood at more than ₹8.15 lakh crore, a 48.11% growth over collections a year earlier. Mr. Chaudhary further said gross GST collection in the current fiscal (April 2021-March'22) post COVID-19 outbreak is showing an increasing trend. Gross GST collection for the year ended March 2021 was more than ₹11.36 lakh crore, while the same in the current fiscal till October stood at ₹8.10 lakh crore.

INTERNATIONAL TAX CORNER

POLISH DEAL INTRODUCES FURTHER DOMESTIC MEASURES TO LIMIT PROFIT SHIFTING

Newly proposed amendments to the corporate income tax law set out in the "Polish Deal", signed into law by Poland's President on November 15, introduce several domestic measures that impact intragroup transactions beyond transfer pricing regulations. The provisions will generally enter into force in 2022, although some controversial provisions will not enter into force until 2023.

According to the government, the new provisions should help in creating a level playing field for Polish corporations. While there are a couple taxpayer-friendly amendments, other provisions make clear that the Polish government is very suspicious of intragroup transactions and aims at limiting shifting of income before tax by utilizing different measures.

The scope of this measure covers all corporate income tax taxpayers that demonstrate in their tax return tax losses or very low income from operational activity (less than a 1% return).

Under such conditions, the minimum corporate income tax should be calculated as 10% of the sum of the following components: 4% of return from operational activity, surplus over 30% of tax EBITDA of debt-financing costs among associated companies, deferred tax due to intellectual property exposure in accounting books (leading to increase in gross profit or decreasing gross losses), and the cost of some intangible services or royalties paid to associated companies.

The minimum tax paid for a fiscal year can be credited against corporate income tax based on general rules for three subsequent consecutive years.

An exclusion from the new regime covers, among others, companies with a sudden decrease of returns (at least 30%) and start-up companies (for the first three years).

INDIRECT TAX NEWS

5% GST ON AUTO-RICKSHAW SERVICES PROVIDED THROUGH E-COMMERCE PLATFORMS

Auto-rickshaw services provided through e-commerce platforms would attract 5 per cent GST from January 1, 2022. The Revenue Department under the Finance Ministry through a notification dated November 18 withdrew the GST exemption available to auto rickshaws providing passenger transport services through e-commerce platforms.

While the passenger transport services provided by auto rickshaw drivers through offline/ manual mode would continue to be exempt, such services when provided through any e-commerce platform would become taxable at 5 per cent effective January 1, 2022. "This amendment shall have a direct impact in the case of e-commerce industry players who provide an online platform to a large number of auto rickshaw drivers for connecting with riders. E-commerce industry has established a very crucial place in the market when it comes to facilitating passenger transport services owing to its cheaper, convenient and flexible manner of booking rides.

US HIKES DUMPING DUTY ON INDIAN SHRIMPS

November 29 The US Department of Commerce (USDOC) has raised the anti-dumping duty on frozen, warm water shrimps from India to 7.15 per cent in its 15th administrative review from 3.06 per cent in the 14th administrative review.

However, imposition of anti-dumping duty by the USDOC on Indian shrimp consignments has evoked mixed responses among the seafood exporters fraternity, saying that individual exporters could appeal for review. Rather than making an overall impact on the total exports from the country to the US, Shaji Baby John, Managing Director, Kings Infra, said the USDOC decision is expected to hit the profitability of the select exporting firms. The US is a highly organised and lucrative market, and the industry there does not want low-cost shrimps from exporting countries to slump their domestic distribution and retail prices.

TODAY'S QUOTE

"The secret of getting ahead is getting started."

—Mark Twain

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