AKSHAY SHAH
15-04-2022

APR 2022
ISSUE 51

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

INCOME TAX RETURN FORMS TWEAKED FOR ADDITIONAL DETAILS

The CBDT recently notified ITR forms for Assessment Year (AY) 2022-23, corresponding to the financial year (FY) 2021-22. While applicability of the ITR forms to different categories of taxpayers does not change, certain changes merit attention.

Reporting of foreign assets: Schedule FA requires reporting of foreign assets by a resident taxpayer. Under the Income Tax Act, the period for which income is taxable is the "previous year", which is the FY ending March 31. Schedule FA required disclosure of assets held during the "accounting period", which is the period adopted for closing of accounts and tax filings by foreign jurisdictions in which assets are located.

To eliminate the confusion, Schedule FA of new ITR forms requires reporting of foreign assets held at any time during the calendar year ending on December 31, 2021. If for instance, an asset is purchased for the first time in January 2022, it does not have to be reported in Schedule FA of ITR for FY 2021-22 but in ITR for FY 2022-23.

Tax deferred on ESOP: To ease the burden of payment of taxes on exercise of ESOPs by employees of eligible startups or TDS by IMB recognised startup employers, Finance Act, 2020 had provided for deferral of TDS on perquisite value of ESOP. The new ITR forms provide for a schedule for reporting details of such taxes deferred. This reporting will require taxpayers to compute tax on the perquisite value of ESOPs in the AY in which shares have been allotted on exercise. This will allow I-T officials to monitor in which year taxes so deferred are actually required to be paid.

Tax credit on foreign retirement benefits: The Finance Act, 2021 had inserted Section 89A, to provide relief from tax on withdrawal from overseas retirement funds by residents who had opened such funds as non-residents. Withdrawal from such funds were taxed on receipt basis in the foreign country vis-à-vis accrual basis in India resulting in difficulties being faced by taxpayers in claiming foreign tax credit for taxes paid in foreign countries. The new ITR forms have amended Schedule S (ie, details of Income from Salary) which will allow taxpayers to claim relief from taxation under Section 89A in the prescribed manner, rules for which are yet to be notified.

Additional disclosure for capital gains: The new ITR forms require additional disclosure in capital gains schedule with respect to land and building which include date of purchase or sale, year in which any improvements were made and separate disclosures for cost of acquisition and indexed cost.

Crypto income: Some stakeholders have expressed concerns over the absence of a specific schedule in new ITR forms for reporting crypto income. Authorities will make a provision in the ITR forms to report crypto income when ITR forms for FY 2022-23, being the first year of crypto tax regime, are notified.

OECD INVITES PUBLIC INPUT ON EXTRACTIVES EXCLUSION UNDER AMOUNT A OF PILLAR ONE

As part of the ongoing work of the OECD/G20 Inclusive Framework on BEPS to implement the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, the OECD is seeking public comments on the Extractives Exclusion under Amount A of Pillar One.

The Extractives Exclusion will exclude from the scope of Amount A the profits from Extractive Activities. The exclusion applies where a Group derives revenue from the exploitation of Extractive Products and the Group has carried out the relevant Exploration, Development or Extraction. This approach reflects the policy goal of excluding the economic rents generated from location-specific extractive resources that should only be taxed in the source jurisdiction, while not undermining the comprehensive scope by limiting the exclusion in respect of profits generated from activities taking place beyond the source jurisdiction, or later in the production and manufacturing chain.

CBIC PROPOSES MANDATORY GST SCRUTINY ON QUARTERLY BASIS

The Central Board of Indirect Taxes and Customs (CBIC) has proposed mandatory Goods and Service Tax (GST) scrutiny on a quarterly basis to enhance compliance through effective and standardised scrutiny of returns.

The CBIC would use business intelligence and other enterprise data available to run the quarterly scrutiny.

According to the news channel's sources, tax evasion to the tune of Rs 52,000 crore was detected in the period between July 2017 and April 1, 2021.

"Fake invoices noted as biggest tax evasion practice by taxpayers," the report stated.

It was reported on April 11 that the CBIC began an inspection of the first tranche of about 50,000 taxpayers for alleged lapses in the financial year 2018.

The examination of GST returns is initiated to bring transparency and plug tax leakages that remain undetected in the system.

Post the first tranche, another tranche of scrutiny will be opened for FY19, followed by FY20, FY21 and FY22 so that several leakages are plugged.

On March 23, the CBIC issued a standard operating procedure for the scrutiny of GST returns for financial years 2017-18 and 2018-19, the first two years of the roll-out of the new taxation regime.

The Directorate General of Analytics and Risk Management (DGARM) has been assigned the task to select the GST identification numbers (GSTINs) registered, whose returns are to be scrutinised, and to communicate the same to the field officers from time to time.

Field formations have been authorised to open scrutiny of GSTINs based on artificial intelligence inputs and risk assessment parameters finalised by the department.

CENTRE WANTS GST RATE REJIG TO BE GRADUAL

Caught between the conflicting objectives of boosting revenue receipts and controlling a runaway inflation, the Centre may make a pitch for calibrated hikes in the goods and services tax (GST) rates over the next couple of years, rather than a one-time trimming of the slabs from four at present to three, according to a senior official.

This view will be conveyed to states, which are concerned about a possible drop in their tax revenues after June, when a five-year revenue cover for them will cease to exist. The Cenre's road map for GST rate hikes will factor in the need to take the weighted average GST rate from a little over 11% at present to the estimated revenue neurtal rate of 15-15.5% over a two-three year period, but won't give a shock to the consumers by way of sharp increase in rates.

Rate hikes on mass consumption and essential items will be more gradual, the source added.

Currently, there are four main GST slabs: 5%, 12%, 18% and 28%. About 70% of the GST revenues come from over 480 items which attract 18% GST.

The Centre's resolve is to shift items under the 12% and 18% slabs to a new median slab of 15%. The 5% rate will be replaced by a new rate which will be 6% or 7%, but the rate tweaking will be done in manner that not more than four slabs are created at any point of time. Finally, in the three-slab structure, the lowest rate will be 6-7%, the median rate will be 15% while the highest slab of 28% will remain unchanged.

TODAY'S QUOTE

"Success is the sum of small efforts repeated day in and day out."

- Robert Collier

DISCLAIMER

This publication contains information for general guidance only. The contents are solely for information and knowledge purpose. It does not constitute any professional advice or recommendation. The contents are gathered from different newspaper and websites as mentioned in 'Source of content'. We do not accept any responsibility and liabilities for any loss or damage of any kind arising out of any information in this publication nor for any actions taken in reliance thereon. This is a private circulation for clients and professionals only.

Source of Content

https://epaper.thehindubusinessline.com/
https://epaper.thehindu.com/
https://economictimes.indiatimes.com/epaper-print-edition/
https://www.gst.gov.in/newsandupdates/read/509\

https://www.financialexpress.com/money/income-tax/tax-talk-income-tax-return-forms-tweaked-for-additional-details/2489677/

AKSHAY SHAH
Email: ca.akshah@gmail.com
Contact No.: 9958975768
Website: www.jainshah.com