THE NEWS LETTER

Daily Updates

From

PRADEEP GOYAL

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[Friday]
No-43

- GST Notifications/Circular /Press Release/Advance Rulings/Judgements.
- Income Tax & Direct Tax Code.
- Foreign Trade Policy
- ICAI & ICSI Announcemen
- RBI Releases
- SEBI Orders/Circulars
- MSME updates
- Start-up India updates
- Releases by Union Ministries
- Economy & Finance News

Knowledge shared= Knowledge^2

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About Scribbler

PRADEEP GOYAL

- **Fellow Member** of the Institute of Chartered Accountants of India.
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- **CFA (Corporate Finance)**- Columbia Business School, USA | EMERITUS Institute of Management, Singapore.
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GST UPDATES

- **Important Topic**

  - Applicability of GST on re-imbursements/recovery of amount paid on behalf of another person- Jump here for detailed discussion on this.

- **Legal updates- Court/AAARA judgements/Advance Rulings**
  [AAARA- Appellate Authority for Advance Ruling | ARA- Advance Ruling Authority]

Sr.No.	Key to find the document	Court/ARA/AAAR	Description	
			Ruling/ Judgement	Summary
1	[2019] 106 taxmann.com 380 WBAAR 09 OF 2019 AND ORDER NO. 08/WBAAR/2019-20, JUNE 25, 2019	Authority for Advance Rulings, West Bengal	Advance Ruling	GST paid on inward supply of motor vehicles for supplying rent-a-cab service is not admissible for credit in terms of section 17(5)(a)
2	[2019] 106 taxmann.com 172 Rambagh Palace Hotels (P.) Ltd., In re* ADVANCE RULING NO. RAJ/AAR/2019-20/05 APRIL 30, 2019	Authority for Advance Rulings, Rajasthan	Advance Ruling	Where applicant, a hotelier incurs expenditure on repair and maintenance of building and its components, input tax credit of GST paid on building materials and on labour supply will not be available to applicant to extent of capitalization of building materials and services

- **News/Latest Developments/Other updates**
  - North eastern states witness over 30 per cent growth in April-July GST collection [Finance Express Report]

START-UPS RELATED UPDATES

- Income Tax department relaxes assessment and scrutiny norms for start-ups. [Business Standard Report]

MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs) RELATED UPDATES

- Ministry of MSME issues its monthly Newsletter-July 2019 "MSME Insider"
- To avails various benefits for Micro, Small & Medium Enterprises, get yourself registered here . [Do not come into trap of websites who charge amount]
  - Primary requirement is your mobile should be linked with Aaadhaar.
  - You need to fill few basic details only.
  - No documents needed, No inspection or inquiry.
  - You will get instant certificate at your screen once you press submit.
  - **THERE IS NO FEES FOR REGISTARTION, ITS TOTALL FREE.**

RBI UPDATES

- The Reserve Bank of India today released the August 2019 issue of its monthly Bulletin which includes Third Bi-monthly Monetary Policy Statement for the Year 2019-20, two Speeches, two Articles and Current Statistics.

INCOME TAX UPDATES

- **Legal updates- Tribunals, High Court & Supreme Court judgements**

Sr.No.	Key to find the document	Description	
		Tribunal/Court	Brief judgement
1	[2019] 108 taxmann.com 181 (Bombay)	Mumbai High Court	Interest accrued from date of claim till passing of award in motor accident claim not taxable as income.

IMPORTANT NEWS UPDATES RELATED TO ECONOMY & FINANCE

- Ministry of Commerce & Industry release data of India's Foreign Trade: July 2019 [Press Release here]

- Ministry of Finance notifies exchange rate of conversion of the foreign currencies relating to imported and export goods with effect from 15th August, 2019. [Press Release here]

- Will leave no stone unturned to make India the best investment destination: PM Modi [ET Report]

- Modi's four initiatives make Indian e-commerce world's fastest growing; set to grow 8-fold by 2026. [Finance Express Report]

- PM Modi took stock of the economy on Thursday, amid rising concerns over a slowdown, weak consumer confidence and steep loss of investor wealth from a decline in stock prices. [ET Report]

- PM holds meet with Sitharaman and officials to weigh booster dose options. [Business Standard Report]

- Grant Thorton audit report incriminates former IL&FS CEO Ramesh Bawa. [Business Standard Report]

- General Electric "Bigger Fraud Than Enron", Alleges Report. Shares Fall. [report]

TOPIC

Applicability of GST on re-imbursements/recovery of amount paid on behalf of another person.

EXAMPLES

1. Firm 'A' is engaged to handle the legal work pertaining to the incorporation of company b. other than its service fees, 'A' also recovers from b, registration fee and approval fee for the name of the company paid to the registrar of companies.
2. 'A' is an importer and 'B' is a custom broker. 'A' approaches 'B' for customs clearance work in respect of an import consignment. the clearance of import consignment and delivery of the consignment to a would also require taking service of a transporter. so 'A', also authorises 'B', to incur expenditure on his behalf for procuring the services of a transporter and agrees to reimburse 'B' for the transportation cost at actuals. in the given illustration, 'B' is providing customs brokers service to a, which would be on a principal to principal basis. the ancillary service of transportation is procured by 'B' on behalf of 'A' as a pure agent and expenses incurred by 'B' on transportation should not form part of value of customs broker service provided by 'B' to 'A'.
3. Port fees, port charges, custom duty, dock dues, transport charges etc. paid by customs broker on behalf of owner of goods.
4. expenses incurred by C&F agent and reimbursed by principal such as freight, godown charges.

DISCUSSION

- **Rule 33 of CGST rules, 2017 expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply**

So here is a concept called pure agent which relevant under GST. Broadly speaking, a pure agent is one who while making a supply to the recipient, also receives and incurs expenditure on some other supply on behalf of the recipient and claims reimbursement (at actuals, without adding it to the value of his own supply) for such supplies from the recipient of the main supply. while the relationship between them (provider of service and recipient of service) in respect of the main service is on a principal to principal basis, the relationship between them in respect of other ancillary services is that of a pure agent.

➢ CONDITIONS TO BE SATIFIED FOR BEING PURE AGENT

I. The supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;
II. The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
III. The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

➢ DEFINITION OF PURE AGENT

Explanation with Rule 33

For the purposes of this rule, the expression —pure agent means a person who-
(a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
(c) does not use for his own interest such goods or services so procured; and
(d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

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