Shree's Tax Bulletin

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Shree Tax Chambers| Bengaluru | India

Integrity | Speed | Expertise

Dear Professional Colleagues,

New Year Greetings from Shree Tax Chambers..!!

New Year..!! New Dawn..!! New Hope….!!

In my endeavour to release my official monthly "Shree's Tax Bulletin", placing before you the first Issue of the first Volume. I am acknowledging the valuable guidance and support of seniors and well-wishers to improve my exclusive Tax Bulletin. Shree Tax Chambers is continuously working hard on it.

Hope, the first official issue of Tax Bulletin will be useful like a "Ready Reckoner" and provides an insight on key developments happening in Taxation field both domestic as well as International taxation including notifications, circulars, Orders, if any, issued up to 31st December 2017.

India – Positive Notes

In the first week of December, the Union Government has released its Foreign Trade Policy – 2015-20, Mid-Term Review. After carefully going through the said document, felt that our beloved country, even though fiscal compulsions, no doubt, steadfastly moving on developing path and soon will get a "Tag" – Indian Economy is Developed One and no more Developing Economy.

It is appropriate to note that the present government is giving all out support to boost its export and imports by announcing a number of incentives. By virtue of latest incentives, it is expected that the Country's Ease of Doing Business Ranking and International Ratings improve further.

As our beloved country in its developing path, with the blessings of almighty, I am also on my succeeding path, wish to share my personal endeavors which I accomplished during last month, such as my exclusive "Tax Laws" related articles have been published in India's leading Tax Law Weeklies, namely –

1. *Thin Capitalisation – In India's Perspective in Taxman.*
2. *Cash Credits – Assessment of Contentious Issues in Taxman.*
3. *Assessment & Audit – GST Laws in Taxman.*
4. *Reason to believe or Reason to Suspect – An Insight in Taxman.*
5. *Rejection of Books of Account by AO – A Study in Taxman.*
6. *Foreign Trade Policy 2015-20: An Overview in Taxman.*
7. *Zero Rated Supplies – How to claim refunds manually? In GST Law Times.*

I am fully aware that by each article at national Tax Law weeklies & each issue of "Shree's Tax Bulletin" will increase my responsibility as well as expectations of seniors and well –wishers into a manifold.

My constant guiding light is Robert Frost's quotes "The woods are lovely, dark and deep. But I have promises to keep, and miles to go before I sleep, and miles to go before I sleep………" So I will keep……!!

Let us have a look at the gist of key latest developments.

Happy Reading..!!

With Warm New Year Wishes..!!

Prabhakar K S
A Budding Tax Law Professional

Shree Tax Chambers

Srirangam
India

7th January 2018

Shree Tax Chambers, in its

4th Year

"You Can *Trust*"

Income Tax

Communication of Income Tax Notice, Summons, etc

The Central Government vide Income –Tax (25th Amendment) Rules, 2017 amended the sub-rule (2) of Rule 127 of the Income-tax Rules, 1962. The latest amendment empowers the department personnel to obtain the address of an untraceable income tax defaulter to issue Notices, Summons etc to them to extract dues.

Position till 20.12.2017

Earlier, the department was allowed to send communications 'only' to the addresses provided by them in their Permanent Account Number (PAN), the Income Tax Return (ITR), or any other tax-related communications.

Latest Position

Now, the department is allowed to obtain and use the address of an assessee available with the -

- *Banking company or cooperative bank,*
- *India post,*
- *Insurance company,*
- *Returns of agricultural income*
- *Statement of financial transactions (SFT)*

Also includes address of the assessee (individual or company) present in the "records of the government including local authority"

Impact:

The amendment helps to track the untraceable assessees where Crores of rupees have stuck due to non-availability of current address or changed address.

E-Assessment

The Central Board of Direct Taxes (CBDT) has initiated much awaited E-Assessment by constituting a nine – member committee headed by a Principal Chief Commissioner (PCIT) and due date to submit its report will be 28.12.2018.

The CBDT has running the E-Assessment proceedings on a pilot basis in a few major cities.

The Official CBDT Order – *In Brief*

The terms of reference of the committee are –

- To propose the new deployment of manpower in view of the implementation of e-assessment;
- To propose modalities and stages of re-deployment of manpower from existing stations and
- To recommend the requirements of additional manpower and infrastructure, if any. *(PTI Reports)*

A new link "e-proceeding" was recently hosted by the department on the personal login of the taxpayer on the e-filing website https://incometaxindiaefiling.gov.in. The functionality enables to conduct e-proceeding for all types of notices, questionnaires and letters issued under various provisions of the I-T Act.

New Approach - *In Brief*

The new system would do away with the Assessing Officers' discretionary powers to call for additional documents, records, and most importantly, ask the taxpayer to appear in person.

1. To minimize interaction between the taxpayer and the tax officer;
2. To curb corrupt practice in the Department;
3. To ensure a transparent and no-harassment culture;
4. To deal with all kinds of tax – related matters such as filing of returns scrutiny etc.
5. The identities of the taxpayer and his assessing officer will be kept as confidential.

Initially, the new system has been launched in New Delhi and Mumbai. Then, cover 100 cities in the first phase of implementation. It is expected that the same will dissolve the 18 assessment zones which account for all direct tax collection.

The new system will require an amendment in the Income Tax Act, 1961 and is expected to be ushered in mid of coming financial year.

Direct Tax Collections
(Financial Year 2017-2018 up to 30.11.2017)

Direct Tax Collections for Financial Year 2017-2018 ended up to 30.11.2017, show Growth of 14.4%.

The provisional figures of Direct Tax collections show that net collections are at Rs. 4.8 lakh crore which is 14.4% higher than the net collections for the corresponding period of last year.

The Net Direct Tax collections represent 49% of the total Budget Estimates of Direct Taxes for Financial Year 2017-18 Rs. 9.8 lakh crore.

Gross collections (before adjusting for refunds) have increased by 10.7% to Rs. 5.82 lakh crore during April-November, 2017.

Refunds amounting to Rs. 1.02 lakh crore have been issued during April 2017 to November 2017.

Source: *Finance Ministry*

Due Date Extended for linking of Aadhaar with PAN

Under the provisions of recently introduced section 139 AA of the Income Tax Act, 1961, with effect from 01.07.2017, all taxpayers having Aadhaar Number or Enrolment Number are required to link the same with Permanent Account Number (PAN).

In view of the difficulties faced by some of the taxpayers in the process, the date for linking of Aadhaar with PAN was initially extended till 31st August 2017 which was further extended up to 31st December 2017.

It has come to notice that some of the taxpayers have not yet completed the linking of PAN with Aadhaar.

Therefore, to facilitate the process of linking, it has been decided to further extend the time for linking of Aadhaar with PAN till 31.03.2018.

CAG Observations on Direct Taxes – *In Brief*

The Comptroller and Auditor General of India conduct the audit of receipts of the Union Government under section 16 of the Comptroller Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971.

Key Highlights

- Total Receipts under Direct taxes in FY 2016-17 amounted to Rs. 8,49,801 crore grew by 14.5 percent over the FY 2015-16 (Rs. 7,42,012 crore).
- Direct Taxes represented 5.6 per cent of the GDP in FY 2016-17. Share of direct taxes in gross tax revenue decreased to 49.5 percent in FY 2016-17 from 51.0 percent in FY 2015-16.
- Of the two major components of direct taxes, collections from Corporation Tax increased by 7.0 percent, from Rs. 4.53 lakh crore in FY 2015-16 to Rs. 4.85 lakh crore in FY 2016-17.
- Similarly, revenue collections from Income Tax has been increased by 21.5 per cent from Rs. 2.80 lakh crore in FY 2015-16 to Rs. 3.41 lakh crore in FY 2016-17.
- The number of non-corporate assessees increased from 3.98 crore in FY 2015-16 to 4.37 crore in FY 2016-17, registering an increase of 9.8 per cent.
- The number of corporate assessees increased from 6.9 lakh in FY 2015-16 to 7.1 lakh in FY 2016-17, registering an increase of 3.6 per cent.
- Out of total 9.2 lakh scrutiny assessment cases, the Income Tax Department had disposed off 4.0 lakh cases (44.0 per cent) in FY 2016-17. The disposal rate was 48.1 per cent last year.
- There has been a significant reduction in the pendency of direct refund cases over the years from 28.9 per cent in FY 2012-13 to only 10.7 percent in FY 2016-17.
- The arrears of demand increased from Rs. 8.2 lakh crore in FY 2015-16 to Rs. 10.4 lakh crore in FY 2016-17. The Department indicated that more than 98.6 per cent of uncollected demand would be difficult to recover.
- Number of appeals pending with CIT (Appeals) increased from 2.6 lakh in FY 2015-16 to 2.9 lakh in FY 2016-17. The amount locked up in these cases was Rs. 6.1 lakh crore in FY 2016-17.
- Similarly, the amount locked up at higher levels (ITAT/High Court/Supreme Court) increased from Rs. 3.0 lakh crore (70,371 cases) in FY 2015-16 to Rs. 4.4 lakh crore (82,806 cases) in FY 2016-17.

CAG – Audit Observation

"Audit found instances where the ITD had raised exaggerated demands to achieve its revenue collection targets by resorting to unwarranted methods such as not allowing full credit of the prepaid taxes in the assessment, levying interest under section 234B or 234C on undue demands etc. Finally, the inflated demands collected by the department were refunded in the next financial year along with the interest under section 244A. This eventually put a heavy burden on the exchequer in the form of avoidable interest paid on refunds." (Reproduced)

CAG Report No. 40 of 2017 (Direct Taxes) for the year ended March 2017

Goods & Services Tax - GST

24^{th} GST Council Meeting

The all-powerful GST Council in its 24th Meeting (through video conference) held on 16^{th} December 2017 has taken a key decision on much awaited E-Way Bill provisions under the GST Laws.

Agenda*: Implementation of E- Way Bill*

The GST Council has discussed the implementation of e-way Bill system also reviewed the progress of readiness of hardware and software required for the introduction of nationwide e-way Bill System.

Key decisions – *In Brief*

1. On trial basis :

   The nationwide e-way Bill system will be rolled out on a trial basis by 16^{th} January 2018.

2. On compulsory basis : *For Inter-state movement of goods*

   The Rules for implementation of nationwide e-way Bill system for Inter-State movement of goods on a compulsory basis will be notified with effect from 1st February 2018.

   Alert: The Central Government, vide Notification No. 74/2017 – Central Tax dated 29^{th} December 2017 notifies the the required procedures for E-Way Bill.

3. On trial basis : *For Intra –State movement of goods*

   The States are allowed to to implement its own timings for implementation of e-way Bill for intra-State movement of goods on any date before 1^{st} June, 2018.

   On compulsory basis: However, the Uniform System of e-way Bill for inter-State as well as intra-State movement will be implemented across the country w.e.f 1^{st} June 2018.

Alert: *GST Council's 25th Meeting will be convened on 18^{th} January 2018 at Vigyan Bhawan, New Delhi.*

Electronic or E - Way Bills *In Brief*

Rules: The Central Goods and Services Tax Rules, 2017

Relevant Rules: R 138, R138A, R 138B, R 138C, R 138D

W.e.f: *As said above*.

Information to be furnished prior to commencement of movement of goods and generation of an e-way bill – R 138

Every registered person who causes movement of goods of consignment value exceeding *fifty thousand rupees—*

1. In relation to a supply; or
2. For reasons other than supply; or
3. Due to inward supply from an unregistered person, shall, before commencement of such movement, furnish information relating to the said goods in Part A of FORM GST EWB-01, electronically

Form GST EWB - 01

Where the goods are transported by the registered person as a consignor or the recipient of supply, whether in his own conveyance or a hired or by railways or by air or by vessel, the said person or the recipient may generate the e-way bill electronically – *[Part B]*

Where the e-way bill is not generated and the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter in Part B of FORM GST EWB-01 and the e-way bill shall be generated by the transporter - [Part A]

If Consignment less than Fifty Thousand Rupees

The registered person or the transporter may, at his option, generate and carry the e-way bill even if the value of the consignment is less than fifty thousand rupees.

In case of an unregistered person, either in his own conveyance or a hired one or through a transporter, he or the transporter may, at their option, generate the e-way bill in FORM GST EWB-01.

Details of Conveyances

Where the goods are transported for a distance of lesser than 10 Kms. within the State or UT from the place of business of the consignor to the place of business of the transporter for further transportation, the supplier or the transporter may not furnish the details of conveyance in FORM GST EWB-01 - *[Part B]*

Transportation by Railways or Air or Vessels

Details of consignment shall be furnished by the consignor or the recipient of the supply in FORM GST EWB-01 - *[Part A]*

A Unique E-way Bill Number / EBN

Upon generation of the e-way bill, a unique e-way bill number shall be made available to the supplier, the recipient and the transporter. .

Details of conveyance – Conveyance to Conveyance

Any transporter transferring goods from one conveyance to another in the course of transit shall update the details of conveyance in the e-way bill in FORM GST EWB-01.

Where the goods are transported for a distance of less than ten Kms. within the State or UT from the place of business of the transporter finally to the place of business of the consignee, the details of conveyance may not be updated in the e-way bill.

Compliance - Not in accordance with the Rules

Where the consignor or the consignee has not generated FORM GST EWB-01 in accordance with the provisions and the value of goods carried is more than fifty thousand rupees, the transporter shall generate FORM GST EWB-01 on the basis of invoice or bill of supply or delivery challan and may also generate a consolidated e-way bill in FORM GST EWB-02.

Cancellation of E-Way Bill

Where an e-way bill has been generated but goods are either not transported or are not transported as per the details furnished, the e-way bill may be cancelled electronically, either directly or through a Facilitation Centre, within 24 hours of generation of the e-way bill:

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B.

Distance & Validity of E-Way Bill

An e-way bill or a consolidated e-way bill generated under this rule shall be valid for the period as mentioned below:

Sr. No.	Distance	Validity
1.	Up to 100 km	One day
2.	For every 100 km or part thereof thereafter	One additional day

The Commissioner may, by notification, extend the validity period of an e-way bill for certain categories of goods.

Further, the e-way bill generated under said rules of any State shall be valid in every State and UT.

Communication of Acceptance by the Recipient

Where the recipient does not communicate his acceptance or rejection within 72 hrs of the details being made available to him, it shall be deemed that he has accepted.

Where E- Way Bill is not required

1. Where the goods being transported are specified in Annexure.
2. Where the goods are being transported by a non-motorized conveyance;
3. where the goods are being transported from the port, airport, air cargo complex & land customs station by Customs;
4. In respect of movement of the goods within such areas as are notified by the Central Government as the case may be.

Documents and devices to be carried by a person-in-charge of a conveyance – R 138A

The person in charge of a conveyance shall carry—

1. The invoice or Bill of Supply or Delivery Challan, and
2. A copy of the E-Way Bill or the E-Way Bill Number, either physically or mapped to a Radio Frequency Identification Device..

Invoice Reference Number

A registered person may obtain an Invoice Reference Number from the common portal by uploading [Part A of FORM GST EWB-01] a tax invoice issued by him in FORM GST INV-1 and produce the same for verification by the proper officer in lieu of the tax invoice and such number shall be valid for a period of thirty days from the date of uploading.

Verification of documents and conveyances – R138B

The Commissioner or the Commissioner may authorize the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form for all inter-State and intra- State movement of goods.

The Commissioner shall get Radio Frequency Identification Device readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where the E-Way bill has been mapped with the said device.

Inspection and verification of goods – R138C

A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of FORM GST EWB-03 within 24 hours of inspection and the final report in Part B of FORM GST EWB-03 shall be recorded within 03 days of such inspection.

Further physical verification

Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently.

Facility for uploading information regarding detention of vehicle – R138D

Where a vehicle has been intercepted and detained for a period exceeding thirty minutes, the transporter may upload the said information in FORM GST EWB-04 on the common portal.

Prescribed Forms

Sl. No.	Form	Prescribed For
1.	Form GST EWB- 01	E-Way Bill
2.	Form GST EWB- 02	Consolidated E-Way Bill
3.	Form GST EWB- 03	Verification Report
4.	Form GST EWB- 04	Report of detention
5.	Form GST INV – 1	Generation of Invoice Reference Number
6.	Form GST ENR - 01	Application for Enrolment under section 35 (2) [only for un-registered persons]
7.	Form GST RFD-01	Application for Refund

GST: Revenue Collections – December 2017

Total revenue collection under GST for the month of December 2017, till 25th December - Rs. 80,808 crores.

Total Registrations - 99.01 lakh taxpayers have been registered under GST so far till 25th December, of which 16.60 lakh are composition dealers which are required to file returns every quarter.

Returns for the Month of November 2017 - 53.06 lakh returns have been filed for the month of November till 25th December.

Breakup of Revenue collections:

- Rs. 13,089 crores as CGST,
- Rs. 18,650 crores as SGST,
- Rs. 41,270 crores as IGST and
- Rs. 7,798 crores has been collected as Compensation cess.

Further, Rs. 10,348 crores is being transferred from IGST to CGST account and Rs. 14,488 crores is being transferred from IGST to SGST account by way of settlement of funds on account of cross utilization of IGST credit for payment of CGST and SGST respectively or due to inter State B2C transactions.

Thus, a total amount of Rs. 24,836 crores is being transferred from IGST to CGST/SGST account by way of settlement.

Further, the total collection of CGST and SGST for the month of December, 2017 (upto 25th December) is Rs. 23,437 crores and Rs. 33,138 crores respectively, including transfers by way of settlement.

Notifications, Circulars & Orders Issued in December 2017

Sl. No.	Statutes	Notifications	Circulars	Orders
1	Central Tax	09	05	01
	Central Tax (Rate)	-		
2	Integrated Tax	-	-	-
	Integrated Tax (Rate)	-		
3	Union Territory Tax	-	-	-
	Union Territory Tax (Rate)	-		
4	Compensation Cess	-	-	-
	Compensation Cess (Rate)	-		

Central Tax

Notification No & Date	Purpose
75/2017 – Central Tax Dated: 29th December 2017	**To amend Central GST Rules, 2017** To find amended copy, kindly check http://www.cbec.gov.in/htdocs-cbec/gst/notfctn-75-central-taxenglish.pdf
74/2017 – Central Tax Dated: 29th December 2017	**To notify Advance E-Way Bill provisions under the GST regime.** The Central government vide said Notification prescribes implementation date for both Inter- State as well as Intra-state movement of goods with E-Way Bills. *(Already dealt in detail)*
73/2017 – Central Tax Dated: 29th December 2017	**To waive excess late fee – Form GSTR 4** The Central Government vide said notification has waived the amount of late fee payable by any registered person for failure to furnish the return in FORM GSTR-4 by the due date, which is in excess of an amount of Rs. 25 for every day. Further, if the total amount payable in lieu of Central Tax in the said return is NIL, the amount of late fee shall stand waived to the extent which is in excess of an amount of Rs. 10 for every day.
72/2017 – Central Tax Dated: 29th December 2017	**To extend due dates for fling of Form GSTR 1** Revised Due Dates for filing Form GSTR 1 by the registered persons whose Turnover is above 1.5 Crore rupees in the preceding financial year or the current financial year. For July – November 2017 - 10th January 2018 For December 2017 - 10th February 2018 For January 2018 - 10th March 2018 For February 2018 - 10th April 2018 For March 2018 - 10th May 2018
71/2017 – Central Tax Dated: 29th December 2017	**To extend due dates for filing of Form GSTR 1** Revised due dates for filing GSTR 1 by the registered persons whose Turnover is upto 1.5 Crore rupees in the preceding financial year or the current financial year. July - September 2017 - 10th January 2018 October - December 2017 - 15th February 2018 January – March 2018 - 30th April 2018

70/2017 – Central Tax Dated: 21st December 2017	**To amend Central Goods and Services Tax Rules, 2017 with respect to Form GST 01** In Form GST-01, the Table 6 suitably substituted by inserting a new table of "Zero rated supplies and Deemed Exports".
69/2017 – Central Tax Dated: 21st December 2017	**To extend Due dates for filing of Form GSTR 5A** The time limit for furnishing the said return for the months of July 2017 August 2017 September 2017 October 2017 November 2017 and December 2017 - Due date has been extended till the 31st day of January, 2018.
68/2017 – Central Tax Dated: 21st December 2017	**To extend Due dates for filing Form GSTR 5** The time limit for furnishing the return by a non-resident taxable person, in said return for the months of July 2017 August 2017 September 2017 October 2017 November 2017 and December 2017 – Due date has been extended till the 31st day of January 2018.
67/2017 – Central Tax Dated: 21st December 2017	**To extend Due dates for filing Form ITC-01** The time limit for making declaration in form ITC-01 for availing ITC by the registered persons for the month of July 2017 August 2017 September 2017 October 2017 and November 2017 – Due date has been extended till 31st January, 2018.

Alert: The Central Government vide Notification No. 1/2018- Central Tax dated 1st January, 2018 has reduced the composite tax rate to 0.5% from 1 % in case of manufacturers also.

Revised Composite Tax Rate - 0.5% (CGST) + 0.5% (SGST/UTGST)

A suitable Notification under Union Territory Tax has also been issued accordingly.

Central Tax - Circulars & Orders

Circular / Order No & Date	Purpose
26/26/2017-GST Dated: 29th December 2017	**To rectify errors done in Form GSTR 3B** Since lengthy clarifications involved, kindly check - http://www.cbec.gov.in/htdocs-cbec/gst/circularno-26-cgst.pdf
25/25/2017-GST Dated: 21st December 2017	**Advance Ruling Mechanism under GST Regime – Manually** The circular has issued a much-awaited clarification on the manual filing of applications for Advance Ruling and appeals before Appellate Authority for Advance Ruling. Due to non-availability of the system, the Central Government, for time being, has allowed filing requisite form manually including the whole process like intimation, reply, declaration, statement or issuance of notice, order or certificate etc. Form and Manner of Application to the Authority for Advance Ruling • An application for obtaining an advance ruling applicable Provisions and Rules shall be made in quadruplicate, in FORM GST ARA-01. • The application shall be accompanied by a fee of Rs. 5000. Form and Manner of Appeal to the Appellate Authority for Advance Ruling. • An appeal against the advance ruling shall be made in quadruplicate, in FORM GST ARA-02 and shall be accompanied by a fee of Rs. 10,000. • An appeal made by the concerned officer or the jurisdictional officer shall be filed in quadruplicate, in FORM GST ARA-03 and no fee shall be payable.
24/24/2017-GST Dated: 21st December 2017	**To allow claiming of refunds manually by Exporters** The said circular prescribes manual filing and processing of refund claims on account of inverted duty structure, deemed exports and excess balance in electronic cash ledger. To claim refunds manually, the exporters require filing of FORM GST RFD-01A on monthly basis. However, in the case of registered persons having the aggregate turnover of up to Rs. 1.5 Crore in the preceding financial year or the current financial year is opting to file FORM GSTR-1 quarterly. ***A detailed article titled "Zero Rated Supplies – How to claim refunds manually? Has been published in GST Law Times Weekly dated 21.12.2017 Vol. 7 Issue 3 Pg. No. J110. (A Centax Publication)***
23/23/2017-GST Dated: 21st December 2017	Clarifications regarding maintenance of books of accounts relating to an additional place of business by a principal or an auctioneer for the purpose of an auction of tea, coffee, etc. • Both the principal and the auctioneer are required to maintain the books of accounts relating to their additional place(s) of business in such places. • The principal and the auctioneer of tea, coffee, rubber etc. are required to declare warehouses where such goods are stored as their additional place of business. • The buyer is also required to disclose such warehouse as his additional place of business if any. • Such principal or auctioneer shall intimate their jurisdictional proper officer in writing about the maintenance of books of accounts relating to additional place(s) of business at their principal place of business.

22/22/2017-GST Dated: 21st December 2017	**To clarify certain issues relating to treatment of supply of goods in various States and in galleries by artists -** *Prescribed documents -* • The supplier shall issue a delivery challan for the initial transportation of goods for reasons other than by way of supply. • In case of goods being transported for the purpose of supply to the recipient but the tax invoice did not be issue, the supplier shall issue a tax invoice after delivery of goods. • Further, the supplies of the artwork from one State to another State will be treated as inter-State supplies and attracts integrated tax under IGST Act, 2017. • In case of supply by artists through galleries, there is no consideration flowing from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same will not be treated as supply. • It is only when the buyer selects a particular artwork displayed at the gallery, that the actual supply takes place and applicable GST would be payable.

Orders

Order No. 11/2017-GST Dated: 21st December 2017	**To extend due date of filing Form GST CMP – 03** The period for intimation of details of stock held on the date preceding the date from which the option to pay tax under Composition levy is required to be filed in FORM GST CMP-03 has been extended till 31st January 2018.

Customs

Foreign Trade Policy 2015- 20 & Mid-Term Review December 2017 – Ten Key takeaways *

1. Even though reinstating the benefits under various export promotion schemes, namely, Advanced Authorization Scheme (AAS), Export Promotion Capital Goods (EPCG) and 100% Export Oriented Units (EoUs), the latest review, chiefly focused on increasing the incentives for labor-intensive MSME sectors.

2. Incentives under Merchandise Exports from India (MEIS) have been increased by 2 percent leading to the additional annual incentive of Rs. 4,567 crore.

3. Incentives under Services Exports from India Scheme (SEIS) have also been increased by 2% percent leading to the additional annual incentive of Rs. 1,140 crore.

4. The validity period of Duty Credit Scrips has been increased from 18 to 24 months.

5. Goods and Services Tax on transfer or sale of Scrips reduced to zero or Nil.

6. Insurance cover by Export Credit Guarantee Corporation also enhanced.

7. Logistic Sector - A new Logistics Division has been created under Department of Commerce to develop the logistics sector further by way of policy changes, rationalization of existing procedures, to remove bottlenecks and the introduction of technology-based interventions.

8. Export-oriented units (EOU) & Electronic Hardware and Software Technology Parks (EHTP / STP) have been allowed to import from bonded warehouses in domestic tariff areas (DTA) without payment of customs duty and integrated tax and GST compensation cess.

9. Proposed to create State-of-the-art trade analytics division in DGFT for data-based policy actions.

10. Incentive Package for Major sectors – In Brief

Sl. No.	Sectors	Amount in Rs. Crore.
1	Textiles – Readymade garments	2,743
2	Leather and Footwear	749
3	Handmade carpets of silk, handloom & coir and Jute products	921
4	Agriculture and related products	1,354
5	Service Sector - Hotel, Hospital, Educational services etc.	1,140
6	Marine Sector	759
7	Telecom and Electronics	369
8	Medical and Surgical Equipment	193

A detailed article titled "Foreign Trade Policy 2015-20: An Overview" has been published in Taxman recently.

CAG Observations on Indirect Taxes – *In Brief*

The Comptroller and Auditor General of India conduct the audit of receipts of the Union Government under section 16 of the Comptroller Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971.

Key Highlights

- Service Tax revenue collection was Rs. 2,54,499 crore during the financial year 2016-17 (FY 17) and accounted for 29.52 per cent of Indirect Tax revenue in FY 17.
- Arrear cases involving revenue implication of Rs. 1,17,935 crore were pending for recovery as on 31 March 2017.
- Cases involving revenue of Rs. 1,22,008 crore were pending in appeals in FY 17 registering a 26 per cent increase over the amount pending at the end of FY 16. Early disposal by the various authorities is important to bring in possible revenue of Rs. 1,22,008 crore to the Government coffers.
- The department had shifted from revenue based selection of units due for an audit to risk based selection by factoring in the manpower available in the Audit Commissionerates.
- Despite the change of methodology in the selection of assessees for audit, the shortfall in audit is still more than 50 per cent in the large and medium units.
- The Service Tax revenue generated from Commercial Training or Coaching service has increased from Rs. 880.09 crore in FY 13 to Rs. 1,950.08 crore in FY 16 proving that the business of coaching centres is expanding day by day.

CAG Report No. 43 of 2017 (Indirect Taxes – Service Tax) for the year ended March 2017

Customs – Notifications Issued in December 2017

Sl. No.	Notifications		Circulars	Instructions
1	Tariff	07	05	-
2	Non- Tariff *	10		
3	Safeguards	-		
4	Anti-Dumping Duty	01		
5	CVD	-		

Notification No & Date	Purpose
97/2017-Customs Dated: 29th December 2017	**To amend notification No. 53/2011-Customs dated 1st July 2011** To provide deeper tariff concessions in respect of specified goods imported from Malaysia under the India-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA). Latest Notification shall come into force w.e.f the 1st day of January, 2018
96/2017-Customs Dated: 29th December 2017	**To amend notification No. 46/2011-Customs dated 01.06.2011** To provide deeper tariff concessions in respect of specified goods when imported from ASEAN under the India-ASEAN Free Trade Agreement. Latest Notification shall come into force w.e.f the 1st day of January, 2018
95/2017 – Customs (T) Dated: 22nd December 2017	**To amend the Notification No. 152/2009-Customs, dated the 31st December 2009** For providing deeper tariff concessions in respect of specified goods imported from Korea RP under the India-Korea Comprehensive Economic Partnership Agreement (CEPA). Latest Notification shall come into force w.e.f the 1st day of January, 2018 For the entire list, kindly check http://www.cbec.gov.in/resources//htdocs-cbec/customs/csact/notifications/notfns-2017/cs-tarr2017/cs95-2017.pdf
94/2017 – Customs (T) Dated: 22nd December 2017	The said Notification exempts certain goods when imported into India from Japan, so as to provide a deepen in the concessional rate of basic customs duty in respect of tariff item 8708 40 00 [gear box and parts thereof, of specified motor vehicles], from so much of the duty of customs leviable thereon as is in excess of the amount calculated at the rate specified. In serial No. 746, tariff – 8710 for all goods under the tariff, the rate of duty 0.0 shall be substituted by 6.88. Latest Notification shall come into force w.e.f the 1st day of January, 2018
93/2017 – Customs (T) Dated: 21st December 2017	**To amend the Notification No. 50/2017- Customs, dated the 30th June, 2017** Pulses [other than Tur, Chickpeas or Masoor (Lentils)] @ Nil Rate Further, the Government has decided to impose 30% Basic Customs Duty on Chana (Chickpeas) and Masoor (Lentils).

92/2017 – Customs (T) Dated: 14th December 2017	To further amend notification No. 50/2017-Customs so as to prescribe effective rate of BCD on various goods.
91/2017 – Customs (T) Dated: 14th December 2017	To increase import tariff rate on specified electronic goods under First Schedule to the Customs Tariff Act by invoking section 8A (1) of the Customs Tariff Act.

**** Non-Tariff – Latest Exchange Rates, kindly check http://www.cbec.gov.in/Customs-Notifications***

Notification No & Date	Anti-Dumping Duty
56/2017-Customs (ADD) Dated 21st December 2017	To extend anti-dumping duty on Phthalic Anhydride originating in or exported from Korea RP, Chinese Taipei and Israel.

Customs – Circulars

Circular No & Date	Purpose
52/2017 Dated 22nd December 2017	**Customs procedure for export of cargo in containers** The Board has taken into consideration the upcoming bi-lateral project being implemented under the auspices of the Asian Development Bank. Under the project, transit cargo from Kolkata to Nepal and vice versa shall be transported under Electronic Cargo Tracking System (ECTS). As a part of the project, facilities for locking / unlocking ECTS seals will be provided at Kolkata Port and at the border points of Raxaul, Jogbani and Sunauli. The Board has decided to leverage the introduction of a new technology being provided under "Managed Service Provider" system to monitor and facilitate transshipment of consignments sealed at ICDs/CFSs and destined for export to Nepal or Bangladesh. The exporters will be required to bring goods meant for export to the designated ICD/CFSs, and file a Shipping Bill on EDI.
51/2017 Dated 21st December 2017	**Electronic Sealing for Containers by Exporters: Self – Sealing Procedure** All entitled exporters who have acquired RFID e-seals and are stuffing containers at approved premises for export through Ports/ICDs where facilities for readers are available shall be free to continue/ adopt the new e-sealing procedure. This procedure is voluntary till 1st March, 2018. Further 1st March, 2018 the procedure shall become mandatory for AEO exporters or for persons availing supervised stuffing at their premises for list a list of locations such as JNCH NhavaSheva (INNSAI), Chennai Port (INMAAI), Mundra Port (INMUNI) etc... ***A detailed article titled "Implementation of Electronic Sealing for Containers by Exporters: Self – Sealing Procedure" – Will be published in GST Law Times, issue dated 11-1-2018***

50/2017 Dated 18th December 2017	**Sale of goods and display of prices at duty free shops in Indian currency** An amendment has been brought to earlier Circular No 31/2016 - Customs dated 6th July 2016. The circular has stated that merchandise on display at duty free shops is denominated in foreign currency and passengers have to bear conversion charges alongside of transaction fee and other charges. In view of the Foreign Trade (Exemption in application of Rules in certain cases) Order 2017 and clarification of RBI. It has been decided to extend the facility of payments in Indian rupees, through INR debit cards or credit cards at Duty Free Shops, without any need for conversion of foreign currency into Indian Rupees.
49/2017 Dated 12th December 2017	**Refund / claim of Anti-Dumping Duty and Safeguard Duties as Duty Drawback** This Circular is related to Circular Nos. 106/95- Customs dated 11.10.1995 and 23/2015 - Customs dated 29.9.2015 respectively. Drawback shall be admissible under section 75 of the Customs Act, where the inputs that suffered CVDs under section 9 of the Customs Tariff Act, were actually used in the goods exported as confirmed by the verification conducted for fixation of Brand Rate. Where imported goods subject to CVDs are exported, then the Drawback payable under Section 74 of the Customs Act, 1962 would also include the incidence of CVDs as part of total duties paid.
48/2017 Dated 8th December 2017	**To notify Customs (Import of Goods at Concessional Rate of Duty)** The current circular is relating to Notification No. 68/2017 dated 30.06.2017. An importer is required to submit security to avail exemption. But submission of security increases the transaction cost of domestic industries, particularly electronic hardware manufacturers. In this regard, CBEC has decided to ease the norms for taking security along with the Bond to simplify the business procedures and to reduce the burden of compliance cost. For details, kindly check http://www.cbec.gov.in/resources//htdocscbec/customs/cs-circulars/cs-circulars-2017/circ48-2017cs.pdf

International Taxation

Advance Pricing Agreements – Latest Development

The Central Board of Direct Taxes (CBDT) during December month has entered into three more Advance Pricing Agreements (APAs), while two of them are Unilateral, one is a Bilateral with the United Kingdom (UK).

Current Status of Advance Pricing Programme –

- Total number of APAs entered into by the CBDT is 189.
- Unilateral Agreements - 173
- Bilateral APAs - 16

Latest agreements are pertain to the Electronics, Coal and Insurance sectors of the economy. The international transactions covered in these agreements include Provision of Software Development Services, Provision of IT enabled Services, Trading, etc.

A detailed article titled "Advance Pricing Agreement – A Status Report" has been published in Taxman recently.

Indo-Swiss: Automatic Exchange of Information (AEOI)

On 22nd December 2017, India signed an agreement with Switzerland that would allow automatic exchange of tax-related information from January 1 2018

With the completion of the parliamentary procedure in Switzerland and signing of the mutual agreement, India and Switzerland are set for the automatic exchange of information for the period beginning from January 1, 2018.

The agreement was signed by the CBDT chairman Sushil Chandra and Swiss Ambassador to India Andreas Baum in New Delhi.

Impact: India will be able to receive the financial information of accounts held by Indian residents in Switzerland for 2018 and subsequent years from September 2019 onwards, on an automatic basis.

Vodafone Tax Demand - 2nd Arbitration

The Supreme Court on 14.12.2017 allowed Britain's Vodafone to initiate a second arbitration process under an India-UK investment accord. Indian Tax Authorities have raised tax demand of more than $2 billion arising out of a deal that acquires Hutchison in 2007.

A two-judge bench comprising Justices AK Sikri and Ashok Bhushan passed the Interim Order by stating a second arbitration tribunal may be set up and its proceedings can begin after a regional court formally lifts a stay order.

Status of Tax Demand – Currently, the tax demand stands at INR 20,000 crore (approx.) which includes interest and penalty. Earlier this year, the tax department also issued a notice to Hutchison Telecommunications International (HTIL), demanding taxes of over Rs 32,000 crore, including interest and penalty, on capital gains.

The Delhi High Court is expected to rule on the case this month. Vodafone has already initiated an arbitration process over the matter under India's investment pact with the Netherlands.

Alert: The next hearing at Delhi High Court is scheduled for January 8th.

European Union's Blacklist of Tax Heavens

The European States, in last February, launched a process to list tax havens in a bid to discourage setting up of shell companies abroad.

In continuation, European Union finance ministers on 4th December 2017 adopted a blacklist of tax havens which includes 17 extra-EU jurisdictions. They are -

> *American Samoa, Bahrain, Barbados, Grenada, Guam, South Korea, Macau, Marshall Islands, Mongolia, Namibia, Palau, Panama, Saint Lucia, Samoa, Trinidad and Tobago, Tunisia and The United Arab Emirates are the countries listed, officials said.*

"Grey List"

In addition to above, other 47 jurisdictions are included in a public "grey" list of countries that are currently not compliant with EU standards but have committed to change their tax rules in near future.

Impact: Blacklisted countries are under risk of losing European Union's Funds.

United States: Tax Reform

United States Senate Republicans on 20th December 2017 passed a sweeping overhaul of the tax code in more than 30 years. The Senate approved the $1.5 trillion tax bill, which includes permanent tax breaks for corporations and temporary tax cuts for individuals.

US President Trump signed the Tax Reform Bill into law on 22nd December. The legislation will represent the most drastic changes to the United States tax code since 1986.

The new law retains the current structure of seven individual income tax brackets.

However, in most cases, lowers the rates, the top rate falls from 39.6% to 37%, 33% bracket falls to 32%, 28% bracket to 24%, 25% bracket to 22%, and the 15% bracket to 12%. The lowest bracket remains at 10%, and the 35% bracket is also unchanged.

Corporate Tax - The new law creates a single corporate tax rate of 21%, beginning in 2018, and repeals the corporate alternative minimum tax (AMT). Unlike tax breaks for individuals, these provisions do not expire. The top corporate tax rate is currently 35%, the highest rate of any large, developed country. Combined with state and local taxes, the statutory rate under the new law will be 26.5%, according to the Tax Foundation.

UAE - VAT

The United Arab Emirates (UAE) and Saudi Arabia is all set to welcome the New Value Added Tax (VAT) regime from 1st January 2018. Other Gulf Cooperation Council (GCC) Countries, VAT may be implemented from January 2019.

The President, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, has issued the Federal Decree-Law No. 8 of 2017 for VAT on 23rd August 2017.

Key Takeaways:

Every taxable person resident of a member state whose value of annual supplies in the member state exceeds or is expected to exceed the mandatory registration threshold.

The definition of business embraces most forms of activity and includes any activity conducted regularly or on an ongoing basis, e.g. industrial, commercial, professional, trade, etc.

Mandatory Registration - A business must register if:

- The total value of taxable supplies * made within the UAE exceeds the mandatory registration threshold over the previous 12 month period, or
- Anticipated taxable supplies with a value exceeding the mandatory registration threshold in the next 30 days.
- The mandatory registration threshold will be AED 375,000 (INR . 65,28,220.37)

Voluntary Registration - A business may apply to register if they do not meet the mandatory registration criteria &

- The total value of their taxable supplies or taxable expenditure in the previous 12 months exceeds the voluntary registration threshold, or
- They anticipate that the total value of their taxable supplies or taxable expenditure will exceed the voluntary registration threshold in the next 30 days.
- The voluntary registration threshold will be AED 187,500 (INR 32,64,620.68)
  ** Taxable Supplies Include:- Standard rated supplies, Zero-rated supplies, Reverse charged services received (provided the taxable person is responsible for accounting for the tax); and Imported goods (provided the taxable person is responsible for accounting for the tax)*

VAT Rate

5 Percent is set to be imposed on the import and supply of goods and services at each stage of production and distribution, including what is deemed to be a supply.

Record-keeping

The following records are required to be kept to ensure accurate tax compliance:
Books of account and any information necessary to verify entries, including, but not limited to:

- Annual accounts;
- General ledger;
- Purchase day book;
- Invoices issued or received;
- Credit notes and debit notes.

Additional records required for specific taxes

- Different taxes may require different records to be kept in order for taxpayers to be compliant, for example, a VAT account.

Any other Information

- As directed by the FTA that may be required in order to confirm, the person's liability to tax, including any liability to register.

Taxable persons for VAT must in addition retain the following records for at least 5 years:

Invoices, credit/debit notes

- All tax invoices and alternative documents related to receiving the goods or services
- All received tax credit notes and alternative documents received
- All tax invoices and alternative documents issued
- All tax credit notes and alternative documents issued

Records of

- All supplies and imports of goods and services
- Exported goods and services
- Goods and services that have been disposed of or used for matters not related to business
- Goods and services purchased for which the input tax was not deducted.

VAT account

- VAT due on taxable supplies (incl. those related to the reverse charge mechanism)
- VAT due after error correction or adjustment
- VAT deductible after error correction or adjustment
- VAT deductible for supplies or imports

Penalties

- The Federal Tax Authorities or FTA has the power to waive or reduce penalties at its discretion (e.g. taxable person has a reasonable excuse for the error).
- The FTA can issue penalties for tax evasion.
- Tax evasion is where a person uses illegal means to either lower the tax or not pay the tax due or to obtain a refund to which he is not entitled under law.
- The imposition of a penalty under tax law does not prevent other penalties being issued under other laws.

Audits

The FTA can visit businesses to inspect records and make sure persons are paying or reclaiming the right amount of tax, and are able to check whether businesses are liable to be registered where they are not.

- FTA will apply risk-based selection criteria to determine whom to audit
- FTA will usually conduct the audit at the person's place of business or at the FTA offices
- If audit at the person's place, must be informed at least 5 business days prior to the audit
- FTA can close the place of business for up to 72 hours (e.g. suspect tax evasion)
- FTA officer may request original records, take samples of merchandise, mark assets to indicate they have been inspected.
- The FTA may also remove records, documents and samples
- The audited person should be notified of the results of the tax audit within 10 business days of the end of the audit

Source: https://www.tax.gov.ae/legislation.aspx

Tax Calendar – For The Month of January 2018

Statutes	Due Date	Purpose
Income Tax	**07.01.2018**	To deposit Tax deducted/collected for the month of December 2017. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan. To deposit of Tax on Perquisites - When the option of lays with the employer. To deposit of TDS for the quarter ending December 31 2017, under sections 192, 194A, 194D or 194H of the Income Tax Act, 1961.
	14.01.2018	To issue TDS Certificate for tax deducted at source under section 194-IA in the month of November 2017.
	15.01.2018	To furnishing of Form 24G by an office of the Government where TDS for the month of December 2017 has been paid without the production of a challan. To file Quarterly statement of TDS for the quarter ending December 31 2017 in Form 27EQ. To deposit 3rd instalment of Advance income tax except for an assessee who has declared his business /professional income under Sections 44AD(1) or Sec 44ADA(1) of income tax act. To upload declarations received from recipient claiming income without deduction of tax at source in form 15G/15H for the quarter ending Dec. 31 2017. To upload quarterly statement under Rule 37BB (7) by an authorised dealer in respect of foreign remittances made during the quarter ending December 31 2017 in Form 15CC.
	30.01.2018	To issue quarterly TCS certificate in respect of tax collected for the quarter ending December 31 2017. To furnish challan-cum-statement in respect of tax deducted under section 194-IA (TDS on sale of immovable property) in the month of December 2017.
	31.01.2018	To file a Quarterly return of TDS deposited for the quarter ending December 31 2017. TDS on Salary - Form 24Q / TDS on others - Form 26Q / TDS Non-residential - Form 27Q). By a banking company in respect of the quarter ending December 31 2017, in Form 26QAA under section 206A.
GST	**10.01.2018**	GSTR 1 for the month of July To September 2017 (with Turnover upto 1.5 Crore).
	10.01.2018	GSTR 1 for the month of July To November 2017 (with Turnover above 1.5 Crore).
	18.01.2018	GST 4 for the months from October 2017 To December 2017.
	20.01.2018	GSTR 3B for December 2017.
	31.01.2018	Form ITC-01 for the months from October 2017 To December 2017.
	31.01.2018	Form GSTR-5 for the months from October 2017 To December 2017.
	31.01.2018	Form GSTR-5A for the months from October 2017 To December 2017.

Disclaimer

Shree's Tax Bulletin is an informational bulletin intended to provide specific information to taxpayers and other stakeholders.

Contents are accurate as of the date issued. However, stakeholders are advised to aware that subsequent changes in the said Tax Laws.

Information published in the Newsletter are taken from publicly available sources and believed to be accurate.

The Chamber or its Founder takes no responsibility for accuracy and reliability of information published in the Bulletin.

The Founder

Mr. Prabhakar K S is the founder of Shree Tax Chambers, a spiritually inclined & budding Tax Law Professional, having a decade of solid exposure in Indian Tax Laws, Company Laws & other allied corporate Laws. He is an ambitious Post graduate in Commerce, Post Graduate Diploma in Finance & Taxation and on the verge of acquiring Tax Laws related professional qualifications.

The Chamber

Shree Tax Chambers, a well-founded professional set--up, on strong three pillars of Integrity, Speed & Expertise, with a sole purpose of providing an excellent advice on Indian as well as International Tax Laws which includes Income Tax, Goods & Services Tax (GST), Customs & Double Tax Avoidance, Transfer Pricing & other related Domains, established on 1st January, 2015 on an auspicious Vaikunta Ekadasi day at Srirangam, Trichy, Tamil Nadu, presently has its head office at Rajajinagar, Bengaluru, India.

Today our world is being brought together not simply by the mandate of nations, but by the power of individuals who allow themselves to hope for a better life. Nothing holds greater possibility than a world with hope for its own future. Although the road may not be easy or quick we think we can help our clients achieve even greater success.

The future belongs to those who believe in the beauty of their dreams.
- E. Roosevelt

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Domestic & International Taxation

Ramanuja Millennium Year – 2017