Shree's Tax Bulletin

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Shree Tax Chambers
Bengaluru | India

Dear Professional Colleagues,

Reading, attending budget seminars and decoding of the Union Budget 2018 marks the whole month of February..!!

In continuing my endeavour in releasing my official monthly "Shree's Tax Bulletin", placing before you the third issue of the calendar year. It is hoped that last two issues have met your expectations. It is really amazing to receive appreciations from across the Country (demands are there for Print versions..!!). With the valuable guidance from the seniors in the profession, Shree Tax Chambers is working hard on improving the Bulletin further by adding few more regular features in forthcoming issues.

The latest issue will provide brief insight on developments happened in domestic as well as international taxation with due emphasis on Notifications, Circulars, Orders, issued up to 28.02.2018 under various Taxing statues, if any.

India – Positive Notes

The World Bank in its latest "Systematic Country Diagnostic for India" has stated that if our country grows at 8 per cent and above for the next three decades, the economy will become one of the dominant ones by the middle of the 21st century.

The report also acknowledged that our country has come a long way in reducing poverty due to relatively rapid economic growth. Further, the country is likely to enjoy the benefits of abundant Labour force. However, due to poor per capita availability of natural resources, the country needs to design an efficient growth path.

The Chamber's View – Undoubtedly, the country is going to register higher growth rate comparing to other major emerging economies in the coming decades.

Further, pleased to share that my few more "Tax Laws" related articles have got published in India's leading Tax Law Weeklies during February month, namely –

1. *E-assessments to eliminate interface between taxpayers and AOs –In Taxmann's Corporate Professionals Today*

2. *Opinion: Assessment under I.T. Act & Union Budget 2018– An Overview – In Taxmann*

3. *Employee Benefits – An Overview - on TIOL or www.taxindiaonline.com*

4. *Country–By- Country Reporting & Furnishing of Master File (Transfer Pricing) Latest Developments – ICSI's Mysore Chapter's Official Monthly – February 2018*

Few more advanced articles are under consideration.

As Robert Frost said,

"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..!!

Prabhakar K S
A Budding Tax Law Professional

Shree Tax Chambers
Bengaluru | India

05.03.2018

The Chamber's Official Blog..!!

shreetaxchambers.blogspot.in

Income Tax: Round-up for the month of February 2018

Equity Shares – Long Term Gains / Loss & Its Taxability Finance Ministry's Clarification

The Finance Ministry, vide letter No. F. No. 370149/20/2018-TPL dated 04.02.2018 on various issues relating to the proposed new tax regime for taxation of long-term capital gains. Key clarifications are-

1. *Point of chargeability of the tax* - The tax will be levied only upon transfer of the long-term capital asset on or after 01.04.2018.

2. *Method for calculation of LTCGs* - The LTCGs will be computed by deducting the cost of acquisition from the full value of consideration on transfer of the LTCA.

3. *Determination of the cost of acquisition for assets acquired on or before 31.01.2018* - The cost of acquisition for the LTCA acquired on or before 31.01.2018 will be the actual cost. However, if the actual cost is less than the fair market value of such asset as on 31.01.2018, the fair market value will be deemed to be the cost of acquisition. Further, if the full value of consideration on transfer is less than the fair market value, then such full value of consideration or the actual cost, whichever is higher, will be deemed to be the cost of acquisition.

4. *Determination of fair market value (FMV)* - In case of a listed equity share or unit, the FMV means the highest price of such share or unit quoted on a recognized stock exchange on 31.01.2018. However, if there is no trading on 31.01.2018, the FMV will be the highest price quoted on a date immediately preceding 31.01.2018 on which it has been traded. In the case of unlisted unit, the net asset value of such unit on 31.01.2018 will be the FMV.

5. *Inflation indexation of the cost of acquisition* - It is clarified that the benefit of inflation indexation of the cost of acquisition would not be available for computing LTCGs under the new tax regime.

6. *Date of commencement of the proposed new tax regime*- The proposed new tax regime will apply to transfer made on or after 01.04.2018.

7. *Tax treatment of accrued gains upto 31.01.2018* - As the FMV on 31.01.2018 will be taken as cost of acquisition (with exceptions) the gains accrued upto 31.01.2018 will continue to be exempt.

8. *Tax treatment of transfer of share or unit between 01.02.2018 to 31.03.2018* - The new tax regime will be applicable to transfer made on or after 01.04.2018, the transfer made between 01.02.2018 to 31.03.2018 will be exempted.

9. *Tax treatment of transfer made on or after 01.04.2018* - The LTCGs exceeding Rs. 1 Lakh arising from transfer of those assets made on after 01.04.2018 will be taxed @ 10 per cent. However, there will be no tax on gains accrued upto 31.01.2018.

10. *Account of holding period* - The holding period will be counted from the date of acquisition.

11. *Incidence of TDS in case of gains by resident tax payers* - There will be no deduction of tax at source from the payment of LTCGs to a resident tax payer.

12. *In case of non-resident tax payers but other than FIIs* - Tax at the rate of 10 per cent will be deducted from payment of LTCGs to a non-resident tax payer but other than FIIs.

13. *In case of FIIs* - There will be no deduction of tax at source from payment of LTCGs to a FIIs.

14. *Determination of gains in the case of FIIs* - The LTCGs in case of FIIs will be determined in the same manner as explained above or in the case of resident tax payers.

15. *Tax treatment of the gains accrued upto 31.01.2018* - In case of FIIs also, there will be no tax on gains accrued upto 31.01.2018.

16. *Tax treatment of transfer of shares between 01.02.2018 to 31.03.2018 in the case of FIIs* - As explained earlier, in case of FIIs also, the transfer made between 01.02.2018 to 31.03.2018 will be exempted.

17. *Tax treatment of transfer made on or after 01.04.2018* - As explained earlier, in case of FIIs also, the LTCGs exceeding Rs. 1 Lakh arising from transfer of those assets made on after 01.04.2018 will be taxed at 10 per cent. However, there will be no tax on gains accrued upto 31.01.2018.

18. *Cost of acquisition in the case of bonus shares acquired before 01.02.2018* - The cost of acquisition of bonus shares acquired before 31.01.2018 is required to be determined as prescribed in the Finance Bill, 2018.

    Therefore, the FMV of the bonus shares as on 31.01.2018 will be taken as cost of acquisition (with exceptions) and hence, the gains accrued upto 31.01.2018 will continue to be exempted.

19. *Cost of acquisition in the case of rights share acquired before 01.02.2018* - The cost of acquisition of right share acquired before 31.01.2018 is required to be determined as prescribed in the Finance Bill, 2018.

    Therefore, the FMV of right share as on 31.01.2018 will be taken as cost of acquisition (with exceptions) and hence, the gains accrued upto 31.01.2018 will continue to be exempted.

20. *Treatment of LTCL arising from transfer made between 01.02.2018 to 31.03.2018* - The long-term capital loss arising during this period will not be allowed to be set-off or carried forward.

21. Treatment of LTCL arising from transfer made on or after 01.04.2018 - Long-term capital loss arising from transfer made on or after 1st April, 2018 will be allowed to be set-off and carried forward in accordance with existing provisions of the Act.

    Therefore, it can be set-off against any other long-term capital gains and unabsorbed loss can be carried forward to subsequent eight years for set-off against long-term capital gains.

Direct Tax Collections for F.Y. 2017-2018

The provisional figures of Direct Tax collections up to January, 2018 show that net collections are at Rs. 6.95 lakh crore which is 19.3% higher than the net collections for the corresponding period of last year.

The net Direct Tax collections represent 69.2% of the Revised Estimates of Direct Taxes for the financial year 2017-18 (Rs. 10.05 lakh crore). Gross collections (before adjusting for refunds) have increased by 13.3% to Rs. 8.21 lakh crore during April 2017 to January 2018.

Refunds amounting to Rs. 1.26 lakh crore have been issued during April 2017 to January 2018.

The Growth Rate for Net Collections for Corporate Income Tax (CIT) is 19.2% and for Personal Income Tax (PIT) is 18.6%.

Registration of Charitable Trusts

The Central Board of Direct Taxes (CBDT) has amended the Rule 17A & Form 10A of Income Tax Rules, 1961 which deals with the registration of religious & charitable trusts as proposed in the Finance Act of 2017.

Amended Rules – *In Brief* *

Rule 17A

An application for registration of charitable or religious trusts shall be made in Form No. 10A & shall be accompanied by following documents:

1. Self-certified copy of Trust Deed or Instrument, where the trust is created under an instrument.
2. Self- certified copy of the document evidencing the creation of the trust, where the trust is created, otherwise than under an instrument.
3. Self-certified copy of registration with Registrar of Companies (RoC) or Registrar of Firms and Societies or Registrar of Public Trusts.
4. ***Self-certified copy of the documents evidencing adoption or modification of the objects, if any.***
5. Where the trust has been in existence during any year or years prior to the financial year in which the application for registration is made, self-certified copies of the annual accounts of the trust relating to such prior year or years (but not more than 3 years immediately preceding the year).
6. Note on the activities of the trust or institution.
7. Self-certified copy of existing order granting registration under section 12A or section 12AA, if any.
8. Self-certified copy of order of rejection of application for grant of registration under section 12A or section 12AA, if any.
9. **Submission of Form No 10A for Registration -** Duly filled Form No. 10A shall be furnished to the Principal Commissioner or Commissioner, electronically, electronically, by using Digital signature or through Electronic Verification Code (EVC).
10. **Verification of Form No. 10A** – The Form shall be verified by the person who is authorised to verify the return of income under Section 140 of the Income Tax Act, 1961 as applicable to the assessee.

** w. e. f 01.04.2018*

Assessment of Scrutiny Cases – Electronically *

The CBDT vide Instruction No. 01 of 2018 dated 12.02.2018, gave much important directions with respect to electronic assessment of Scrutiny cases. *The directions – In brief – are as follows –*

1. Except for search related assessments, proceedings in other pending scrutiny assessment cases shall be conducted only through the e-proceedings.
2. In case, the assessee objects to conduct such e-proceeding, for time being may be kept on hold.

Procedural Aspects

1. For inquiries before assessment under section 142(1)(ii) of the Act, notice shall be issued electronically and delivered upon the assessee in his 'E-Filing' account.
2. While filing the response electronically in compliance with the said notice, the concerned assessee shall verify it in the manner as prescribed under the Income Tax Rules, 1962.
3. All departmental orders, communications, notices being issued to the assessee through the 'e-Proceeding' facility are to be signed digitally by the Assessing Officer.
4. Online submissions may be submitted until the office hours on the date stipulated for compliance.
5. The facility will be automatically closed seven days before the time barring date. However, same can be re-opened if the concerned Assessing Officer permits.
6. In certain circumstances such as where the Assessing Officer wants to verify the original books of accounts, for cross-examination of witnesses, when assessee requests personal hearing etc., the Assessing Officer can follow the offline proceedings.

* A detailed article titled – *"Opinion: Assessment Under I.T. Act & Union Budget 2018– An Overview" has got published in Taxman recently.*

Goods & Services Tax (GST) - Round-up for the month of February 2018

GST Compliance – February 2018

According to Finance Ministry, the ***GST collection*** in January slipped marginally to Rs 86,318 crore against December month's Rs 86,703 crore.

The total revenue received under GST for the month of January 2018 (up to 25.02.2018) was Rs 86,318 crore.

Registered Tax Payers around 1.03 crore taxpayers have been registered under GST till 25.02.2018 of which 17.65 lakh are composition dealers.

Opting out from composition scheme around 1.23 lakh composition dealers have opted out from the scheme and have thus become regular taxpayers.

GST Compliance there were around 16.42 lakh composition dealers which is required to file returns every quarter and the rest of 87.03 lakh taxpayers are required to file monthly returns. (Till 25.02.2018)

Further, as many as 57.78 lakh GSTR 3B returns have been filed for the month of January till 25.02.2018. This is 69% of total taxpayers who are required to file monthly returns, it added.

GST Collections - Breakup

- Total collection Rs. 86,318 crore
- As CGST – Rs. 14,233 crore
- As SGST – Rs. 19,961 crore
- As IGST Rs. 43,794 crore and
- As Compensation cess - Rs. 8,331 crore

Total amount transferred from IGST to CGST a/c. stands at Rs. 11,327 crore

Total amount transferred to SGST a/c. as a settlement of funds due to cross utilisation of IGST credit for payment of CGST and SGST respectively or due to inter State B2C transactions stands at Rs. 13,479 crore.

Total amount transferred from IGST to CGST / SGST a/c. by way of settlement stands at Rs. Rs. 24,806 crore.

GST Council Meeting – *An alert:*

Much awaited GST Council's 26th meeting has been postponed and same is likely to be held in second or third week of March, 2018.

Notifications, Circulars & Orders Issued in the month of February 2018

Sl. No.	Statutes	Notifications	Circulars	Orders
1	Central Tax	01	03	-
	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
11/2018 - Central Tax Dated 02.02.2018	To postpone the coming into force of the e-way bill rules The Central Government vide said Notification, postponed the implementation of E-way Bill Provisions. However, the Notification is silent on its next rollout date.

Central Tax - Circulars

Circular No & Date	Purpose
31/5/2018-GST Dated 09.02.2018	The Central Government vide said Circular prescribes the monetary limits to issue of show cause notices and orders by the proper officers. *Superintendent of Central Tax –* CGST – Rs. 10 Lakhs IGST – Rs. Not exceeding Rs. 20 Lakhs CGST & IGST – Rs. Not exceeding Rs. 20 Lakhs *Deputy or Assistant Commissioner of Central Tax -* CGST – Rs. 10 Lakhs and not exceeding Rs. 1 crore IGST – Rs. Not exceeding Rs. 20 Lakhs and not exceeding Rs. 2 crore CGST & IGST –Rs. Not exceeding Rs. 20 Lakhs and not exceeding Rs. 2 cr. *Additional or Joint Commissioner of Central Tax -* CGST – above Rs. 1 crore IGST – above Rs. 2 crore CGST & IGST – above Rs. 2 crore
32/6/2018-GST Dated 12.02. 2018	The Central Government vide said Circular has clarified certain issues regarding levy of GST on supply of services. For list of services kindly check the following link http://www.cbec.gov.in/resources//htdocs-cbec/gst/circularno-32-cgst.pdf
33/07/2018-GST Dated 23.02.2018	The Central Government vide said Circular has given certain directions under Section 168 of the CGST Act regarding non-transition of CENVAT credit under section 140 of CGST Act or non-utilization thereof in certain cases – For further details, kindly check the following link http://www.cbec.gov.in/resources//htdocs-cbec/gst/circularno-33-cgst.pdf;jsessionid=28551AC518583C48162029C0C7BEE4EC

Customs: Round-up for the month of February 2018

Customs Duty Hike & Its likely Impact on Imports

The Hon'ble Finance Minister in his Budget 2018 has increased basic customs duty certain categories of goods in the range of 33 to 100 per cent. As many as 40 categories of products saw their basic customs duty being raised w.e.f 02.02.2018.

They are - *Mobile phones, Mobile batteries, Smart watches/wearables, LCD/LED/OLED panels, Imitation jewellery, Diamonds & gems, Radial tyres, Motor vehicle parts, Motor vehicles, Footwear, Parts of footwear, Watches, Clocks, Other clocks, Seats and parts, Furniture and parts, Mattresses, bedding, Lamps & lighting, Tricycles, scooters, Video games, Festive articles, Sport equipment, Fishing equipment, Swings, amusement, Candles, tapers, Kites, Sunglasses, Date sealing, stamps, Lighters, Perfumes, toilet water, Beauty or make-up, Hair preparations, Scent sprays, Oral or dental hygiene, Shaving preparations, Silk fabrics, Juice mixtures, Orange juice, Cranberry juice, Misc food preparations, Edible veg oils.*

According to Finance Minister's Budget speech on 01.02.2018, these duty changes were made to provide adequate protection to domestic industry, to encourage domestic value addition, to promote 'Make in India' and to create more jobs in the country.

Impact: It is expected that almost a fourth of India's total imports could be impacted by the latest measures.

In 2016-17, said 40 categories of goods saw imports of $ 85 billion, which was around 22 per cent of the total imports of $384 billion. A year prior to that, imports of the same items were valued at $88 billion, almost accounted for a share of 23 per cent of the total imports of $381 billion during the said year.

Notifications, Circulars & Instructions Issued in the month of February 2018

Sl. No.	Notifications		Circulars	Instructions
1	Tariff	22	01	02
2	Non- Tariff *	09		
3	Safeguards	-		
4	Anti-Dumping Duty	02		
5	CVD	-		

Customs – Tariff Notifications

Notification No & Date	Purpose
06/2018-Cus, Dated 02.02.2018	To further amend notification No. 50/2017- Customs dated the 30th June so as to prescribe effective rate of basic customs duty (BCD) consequent to the changes proposed in the Union Budget 2018-19.
07/2018-Cus, Dated 02.02.2018	To exempt levy of the whole of the Education Cess on all goods in the First schedule to the Customs Tariff Act, 1975
08/2018-Cus, Dated 02.02.2018	To exempt levy of the whole of the Secondary and Higher Education Cess on all goods in the First schedule to the Customs Tariff Act, 1975
09/2018-Cus, Dated 02.02.2018	To rescind notification No. 69/2004-Customs dated 09.07.2004 exempting specified goods from the levy of Education Cess
10/2018-Cus, Dated 02.02.2018	To rescind notification No. 28/2007-Customs dated 01.03.2007 exempting specified goods from the levy of Secondary and Higher Education Cess.
11/2018-Cus, Dated 02.02.2018	To exempt specified goods from the whole of levy of Social Welfare Surcharge
12/2018-Cus, Dated 02.02.2018	To exempt specified goods from the of levy of Social Welfare Surcharge in excess of 3%
13/2018-Cus, Dated 02.02.2018	To exempt Integrated tax and Goods and Services Tax compensation cess on imported goods from the whole of levy of Social Welfare Surcharge
14/2018-Cus, Dated 02.02.2018	To amend notification No. 82/2017-Customs dated the 27th October 2017 to increase the effective rate of BCD on silk fabrics from 10% to 20%
15/2018-Cus, Dated 02.02.2018	To rescind notification No. 6/2015-Customs dated 01.03.2015
16/2018-Cus, Dated 02.02.2018	To rescind notification No. 7/2015-Customs dated 01.03.2015
17/2018-Cus, Dated 02.02.2018	To rescind notification No. 57/98-Customs dated 01.08.1998
18/2018-Cus, Dated 02.02.2018	To rescind notification No. 59/99-Customs dated 11.05.1999
19/2018-Cus, Dated 02.02.2018	To exempt Additional Duty of Customs (Road Cess) levied under section 103 of the Finance (No.2) Act, 1998
20/2018-Cus, Dated 02.02.2018	To exempt Additional Duty of Customs (Road Cess) levied under section 116 of the Finance Act, 1999
21/2018-Cus, Dated 02.02.2018	To exempt Additional Duty of Customs (CVD), in lieu of Additional Duty of Excise (Road and Infrastructure Cess) levied under clause 110 of the Finance Bill, 2018
22/2018-Cus, Dated 02.02.2018	To further amend notification No. 57/2017- Customs dated the 30th June, 2017 so as to prescribe effective rates of BCD on specified parts of cellular mobile phones and other electronic goods
23/2018-Cus, Dated 02.02.2018	To further amend notification No. 27/2011- Customs dated the 1st March, 2011 so as to prescribe 'Nil' rate of export duty on Electrodes of a kind used for furnaces
24/2018-Cus, Dated 06.02.2018	To increase import duty on all types of sugar under tariff head 1701, [Raw sugar, Refined or White sugar, Raw sugar if imported by bulk consumer] from the present 50% to 100% (Tariff rate) with immediate effect and without an end date.
25/2018-Cus, Dated 06.02.2018	To increase BCD tariff rate on Chana (Chickpeas), [Tariff item 0713 20 0] from 30% to 40% by invoking section 8A (1) of the Customs Tariff Act, 1975 and accordingly, the effective rate of BCD on Chana (Chickpeas), will also be 40%.

26/2018-Cus, Dated 12.02.2018	To further amend the notification No. 50/2017- Customs dated the 30th June 2017 so as to reduce the Basic Customs Duty on motorcycles falling under tariff heading 8711.
27/2018-Cus, Dated 23.02.2018	To further amend notification No. 50/2017-Customs so as to prescribe effective rate of BCD on various goods.

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

Anti-Dumping Duty

Notification No & Date	Purpose
04/2018-Cus (ADD), Dated 21.02.2018	To impose anti-dumping duty on â□œCeramic Tableware and Kitchenware, excluding knives and toilet items, originating in or exported from China PR.
05/2018-Cus (ADD), dated 23.02.2018	To amend notification No. 3/2018-Customs (ADD) dated the 23.01.2018 i.e. to impose definitive anti-dumping duty on imports of "Toluene Di-Isocyanate (TDI)" originating in or exported from China PR, Japan and Korea RP.

Customs – Circulars

Circular No & Date	Purpose
05/2018 – Customs Dated 23.02.2018	Refund of IGST on Export– Invoice mis-match Cases –Alternative Mechanism with Officer Interface. For further details, kindly check http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-circulars/cs-circulars-2018/circ05-2018cs.pdf

Customs – Instructions

Instruction No & Date	Purpose
02 / 2018 – Customs Dated 07.02.2018	To extend e-SANCHIT application on all EDI locations
03 / 2018 – Customs Dated 16.02.2018	To provide CDR & customer Details

Central Excise: Round-up for the month of February 2018

No more departmental appeal..!! Pause a moment but same is not in all cases..!!

The Central Board of Excise and Customs has issued Circular No. 1063/2/2018-CX dated 16.02.2018 on the subject - Orders of Supreme Court, High Courts and CESTAT accepted by the Department - and on which no review petitions, SLPs have been filed, in relation to Indirect Taxes.

The said circular compiles 63 Orders, which have been accepted by the Department. In fourteen of such Orders, the Hon'ble High Courts have decided various questions of law.

In the rest of the Orders, the Hon'ble High Courts have delivered judgments on the basis of some settled case law or have decided points of facts or have dismissed the appeal on monetary grounds.

The said Orders which have been accepted by the Department have been compiled in the Circular so that cases pending in the field can be expeditiously decided, if the questions of law or facts involved are identical.

This exercise has been undertaken as an endeavour to reduce litigations so that cases on similar questions of law or identical case on facts pending in the field can be expeditiously decided.

For the said list of 63 Orders, kindly check –

http://www.cbec.gov.in/resources//htdocs-cbec/excise/cx-circulars/cx-circulars-2018/circ1063-2018cx.pdf

International Taxation – Round-up for the month of February 2018

Advance Pricing Agreement – A Status Report

The Central Board of Direct Taxes (CBDT) has entered seven more Advance Pricing Agreements (APAs) during the month of February, 2018. All the seven are Unilateral APAs. The total number of APAs entered into by the CBDT till date has gone up to 203. This includes 185 Unilateral APAs and 18 Bilateral APAs.

In the current financial year, the CBDT has entered into 51 APAs so far (44 Unilateral APAs and 7 Bilateral APAs).

The latest seven APAs are pertaining to the Pharmaceuticals, Automobiles, Financial and Food & Beverages sectors. The international transactions covered in these agreements include Manufacturing, Provision of Software Development Services, Provision of IT enabled Services, Payment of Royalty, Provision of Contract R&D Services, Provision of Marketing Support Services, Distribution, AMP Expenses, Provision of Engineering Design Support Services, Provision of Sourcing Support Services, Payment of Interest, etc.

Revised Double Taxation Avoidance Agreement - India & Kenya

The DTAA between India and Kenya was signed and notified during 1985. Subsequently, the DTAA was renegotiated and a revised DTAA was signed between both countries on 11 July, 2016. The revised DTAA has been notified in the Official Gazette on 19.02.2018.

Salient features of the revised DTAA are -

1. The revised DTAA provides for reduction in withholding tax rates from 15% to 10% on dividends, from 15% to 10% on interest, from 20% to 10% on royalties and from 17.5% to 10% on fees for management, professional and technical services.

2. The revised DTAA provides for a new Article on Limitation of Benefits (LoB) to allow treaty benefits to bonafide residents of both countries, to combat treaty abuse by third country residents and to allow application of domestic law to prevent tax avoidance or evasion.

3. The Article on Exchange of Information has been updated to the latest international standard to provide for exchange of information, including banking information for tax purposes.

4. A new Article on Assistance in Collection of Taxes has also been provided in the revised treaty.

It is expected that the revised DTAA will improve transparency in tax matters, help curb tax evasion and tax avoidance, remove double taxation etc between India and Kenya.

Double Taxation Avoidance Agreement - India & Iran

India, on 17.02.2018 has signed its first ever Double Taxation Avoidance Agreement with respect to Iran with respect to taxes on income at New Delhi.

The Agreement is on similar lines as entered into by India with other countries. The Agreement will stimulate flow of investment, technology and personnel from India to Iran & vice versa, and will prevent double taxation.

The Agreement will provide for exchange of information between the two Contracting Parties as per latest international standards. It will improve transparency in tax matters and will help curb tax evasion and tax avoidance.

The Agreement also meets treaty related minimum standards under G-20 OECD Base Erosion & Profit Shifting (BEPS) Project, in which India participated on an equal footing.

Double Taxation Avoidance Agreement - India & China

Recently, the Union Cabinet has given its nod for signing and ratification of protocol amending the Agreement between India and China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income.

Besides other changes, the Protocol updates the existing provisions for exchange of information to the latest international standards.

Further the Protocol will incorporate changes required to implement treaty related minimum standards under the Action reports of Base Erosion & Profit shifting (BEPS) Project, in which India had participated on an equal footing.

Besides minimum standards, the Protocol will also bring in changes as per BEPS Action reports as agreed upon by two sides.

Digital Economy Tax & Unilateral Measures

A multilateral tax instrument is being developed as part of the BEPS project. However, in the absence of multilateral consensus, many Jurisdictions have begun to formulate independent rules to tax the digital economy -

Major Economies & Digital Economy Tax Measure A status Report		
India	Equalisation levy	Implemented
	Virtual Permanent Establishments	Proposed
Israel	Virtual Permanent Establishments	Implemented
	Value Added Tax	Implemented
UK	Tax on Diverted Profits	Implemented
	Withholding tax on specific non-resident royalties	Proposed
US	No specific tax on digital economy	-
	State sales Tax	Implemented
Australia	Tax on Diverted Profits	Implemented
	Goods & Services Tax	Implemented
Austria	Equalisation levy	Proposed
Saudi Arabia	Virtual Permanent Establishments	Implemented
New Zealand	Goods & Services Tax	Implemented

Singapore – Budget 2018 – *An overview*

Singapore has presented its Budget for 2018 on 19.02.2018. Undoubtedly, same has lived up to the expectations of the global community.

Key proposals - In Brief

Key proposals include a GST rate hike, a GST levy on imported e-services, the introduction of a carbon tax, and new tax rules aimed at further strengthening Singapore's role as a financial and innovation hub. Few more announcements pertaining to GST on imported goods under consideration.

1. GST rate hike

The Singapore government has announced a raise in GST rate by 2% to 9% between 2021 and 2025 to ensure fiscal prudence.

2. GST on imported digital services

It is proposed to levy GST on imported digital services w.e.f 01.01.2020 in line with the international GST practice. In other words, a destination based principle for the supply of e-services.

Business services that make exempt supplies or not make any taxable supplies will be taxed under Reverse Charge Mechanism (RCM).

The taxation of B2C services will take place through an overseas vendor registration.

Imported digital services include music and video streaming, apps, listing fees on electronic marketplaces, software, and online subscription fees.

3. GST on imported goods

However, the new GST proposals will not apply to goods imported pursuant to e-commerce transactions, though the Singapore government monitoring the prevailing practices at international level.

4. Carbon tax

It also proposed that a new carbon tax will be introduced for all facilities that produce 25,000 tonnes or more of greenhouse gases annually.

The carbon tax rate is S$5 per tonne of carbon dioxide-equivalent (tCO2e) emissions and will apply from 2019 to 2023. There will be further increase in the said rate to S$10 or S$15 per tonne of tCO2e emissions by 2030.

Interestingly, the carbon tax will not apply to the use of petrol, diesel, and compressed natural gas since same are already subject to applicable excise duties.

5. Corporate Income Tax

The following measures to promote innovation by Singapore companies were announced:

- 200% deduction for the first S$ 100,000 of qualifying licensing payments for intellectual property per year from 2019 to 2025.
- 200% deduction for the first S$ 100,000 of IP registration fees per year from 2019 to 2025.
- 250% deduction for staff costs and consumables incurred on qualifying R&D projects in Singapore from 2019 to 2025.

The amount of expenses that qualify for Double Tax Deduction for Internationalization without pre-approval from IE Singapore or Singapore Tourism Board will be increased to S$ 150,000 per year starting from 2019.

The CIT rebate will be enhanced and extended for 2 years. For 2018, the CIT rebate will be 40% of tax payable subject to a cap of S$ 15,000. For 2019, the rebate will be 20% of tax payable subject to a cap of S$ 10,000.

Start-up Tax Exemption scheme for 2020 and 2021 to provide for a 75% exemption on the first S$ 100,000 of chargeable income and a 50% exemption on the next S$ 100,000 of chargeable income. The Partial Tax Exemption scheme will be adjusted from 2020 to restrict the exemption to the first S$ 200,000 of chargeable income.

A 250% tax deduction for donations to institutions of a public character will be extended for another 3 years until 31.12. 2021.

Tobacco excise duty

It is proposed to increase in excise duty for tobacco products by 10% with immediate effect.

The Chamber's View

Budget 2018 is a well thought and balanced one which clearly aimed at ensuring sustainability of Singapore's economy and meet development needs or population demands. Also promote innovation and internationalization of Singapore businesses.

Tax Calendar – For The Month of March 2018

Income Tax & International Taxation	**01.03.2018**	To file Form No 3CEAB by a designated constituent entity, resident in India, of an international group for the accounting year 2016-17.
	02.03.2018	To deposit TDS amount deducted u/s. 194-IA and 194-IB during the month of January 2018 - Form No. 26QB and Form No. 26QC respectively.
	07.03.2018	To deposit TDS / TCS amount under any other provision except sections 194-IA and 194-IB during the month of February 2018 - Challan No. ITNS 281.
	15.03.2018	To remit 4th installment of advance income-tax for the assessment year 2018-19. To remit of whole amount of advance income tax for the assessment year 2018-19 for assessees who covered under presumptive scheme of section 44AD/ 44ADA.
	30.03.2018	To deposit TDS amount deducted u/s. 194-IA and 194-IB during the month of February 2018 - Form No. 26QB and Form No. 26QC respectively.
	31.03.2018	To file Form No. 3CEAA by a constituent entity of an international group for the accounting year 2016-17. To file Form No. 3CEAD by a parent entity or an alternate reporting entity or any other constituent entity, resident in India, for the accounting year 2016-17 (i.e. Country-By-Country Report).
GST	**10.03.2018**	To file GSTR-1 i.e. for outward Supplies by taxable person other than Input Service Distributors and those who registered under composition scheme. To file GSTR-7 i.e. Return of TDS with due payment of tax. To file GSTR-8 i.e. Statement by e-commerce operators with due tax.
	20.03.2018	To file GSTR 3B for the month of January, 2018.
	20.03.2018	To file GSTR 5 for the month of January, 2018.
	31.03.2018	To file GSTR-6 i.e. by Input Service Distributors – from July 2017 to February 2018.

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 Founder or the Chamber 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*

Shree Tax Chambers ™

Integrity | Speed | Expertise

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Domestic & International Taxation

Ramanuja Millennium Year – 2017