

Tax Street

A flagship publication that captures key developments in the areas of Tax and Regulatory environment

July 2024

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Tax Street

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We are pleased to present the latest edition of Tax Street – our newsletter that covers all the key developments and updates in the realm of taxation in India and across the globe for the month of July 2024.

- The **'Focus Point'** covers the 7th edition of IRAS on its Transfer Pricing Guidelines and highlights the notable changes and implications arising due to the updates.
- Under the **'From the Judiciary'** section, we provide in brief, the key rulings on important cases, and our take on the same.
- Our **'Tax Talk'** provides key updates on the important tax-related news from India and across the globe.
- Under **'Compliance Calendar'**, we list down the important due dates with regard to direct tax, transfer pricing and indirect tax in the month.

We hope you find our newsletter useful and we look forward to your feedback.

You can write to us at taxstreet@nexdigm.com. We would be happy to hear your thoughts on what more can we include in our newsletter and incorporate your feedback in our future editions.

Warm regards,
The Nexdigm Team

Focus Point

IRAS published the 7th edition of the e-tax guide on Transfer Pricing Regulations

Singapore is among the world's most competitive economies, being a high-income economy built on a business-friendly regulatory environment and strong investments in infrastructure, education, healthcare, and public services. Transfer pricing in this region was formally introduced in 2006 with the very first Transfer Pricing Guidelines (TPG) aimed at applying the arm's length principle when transacting with related parties, maintaining Transfer Pricing Documentation (TPD), etc.

Internal Revenue Authority of Singapore (IRAS) endorses the arm's length principle, an internationally endorsed standard, to guide the pricing of transactions between related parties. IRAS subscribes to the principle that profits should be taxed where the real economic activities generating the profits are performed and where value is created. A proper application of transfer pricing rules will ensure this outcome.

Against this background, the IRAS released the 7th edition of its TPG. The notable changes and implications arising due to the updates are discussed below:

- **New exemption threshold for Related Party Transactions:** The thresholds for transactions for TPD have increased from SGD 1 million to SGD 2 million for transactions relating to services, guarantees, Royalties/license fees, leases and other arrangements. However, the thresholds for intra-group sales and purchases have been retained at SGD 15 million. This change is aimed at an attempt to reduce the compliance burden of smaller transactions. However, the IRAS would expect taxpayers to be able to demonstrate the arm's length nature of pricing arrangements.
- **Simplified Transfer Pricing Documentation:** The contemporaneous TPD requirements apply similarly to simplified TPD. Therefore, to be considered contemporaneous, simplified TPD should also be completed by the tax filing due date to prove its contemporaneous nature. The

taxpayers should therefore, be aware of IRAS' focus on TPD prepared contemporaneously, which is usually scrutinized during routine tax queries.

- **Guidance on Working Capital:** Taxpayers can make working capital adjustments to improve the reliability of the comparable analysis and IRAS has provided guidance on when working capital adjustments should be made. Additionally, it has provided guidance on which interest rate should be used when making such adjustments. This guidance helps taxpayers navigate working capital adjustment more effectively. It should be made when the reliability of the comparables selected is improved and can be made accurately.
- **Transfer Pricing Adjustment on Capital Transactions:** IRAS has clarified it will not make any transfer pricing adjustment relating to any gain, loss or deduction arising from capital transactions between related parties that are not taxable or deductible under the Income-tax

Act. Furthermore, it highlights that Taxpayers are not required to prepare TPD for such Capital transactions for Singapore's tax purposes. However, if the sale or transfer of fixed assets between related parties is not undertaken at arm's length, IRAS may adjust to reflect the open market price and determine the relevant capital allowance or balancing adjustment accordingly. Therefore, it is imperative for taxpayers to ensure relevant analyses are undertaken and documents for the same are maintained.

- New exemption rule for Related Party domestic loans:** Loans between domestic related parties entered on or before 1 January 2025 are exempt from TPD if neither the lender nor the borrower is in the business of borrowing and lending and the IRAS indicative margin is applied. Alternatively, if the interest rate for such loans is determined through an arm's length analysis or benchmarking, TPD of such arm's length analysis would be required. Interest restrictions rules in the hands of the related party lender will no longer apply. This new rule would imply that compared to related party domestic loans entered into before 1 January 2025, taxpayers now need to prepare contemporaneous TPD for related party domestic loans. Taxpayers using Singapore as a funding hub may be required to re-look their intragroup TP model.
- Review and refresh of long-term loan transactions:** The IRAS has clarified that taxpayers would need to perform an annual review and refresh their TPD on long-term loans with related parties. Certain facts and circumstances, such as a change in the economic environment, the value of the collateral, borrower's financial status and credit standing, etc., may affect the agreed interest rate, terms and conditions of the long-term loan.

These changes may affect the arm's length rate of the loan or part of the loan considered to have equity characteristics. This change acts as a crucial reminder to taxpayers that an arm's length analysis for a long-term loan can only be relied upon throughout the tenor of the loan if there are no changes to the terms and conditions of such loans. Going forward, IRAS may focus on TP audit in great detail for loan transactions.

- Update on guidance on strict pass-through costs:** IRAS' overall position on strict pass-through costs remains unchanged. However, they have updated Section 14.22 of the 7th edition to include e-mail correspondence as a "written agreement" between related parties. This update has been a welcoming one, demonstrating IRAS' recognition of the operational challenges that taxpayers face in complying with strict pass-through costs. This further helps to reduce the administrative burden of the taxpayers.
- Remission for Surcharge:** The IRAS has provided additional guidance on conditions for the remission of 5% TP adjustments surcharge. IRAS provided clarification on the condition of having good compliance records in the current Year of Assessment (YA) and the two immediately preceding YAs, including the requirement that taxpayers should also have "no history of surcharges and penalties being imposed or remitted/compounded". This clarification highlights the importance of taxpayers focusing on overall tax compliance and governance to avoid any adverse outcome from non-compliance. Taxpayers should be prepared for strict audit scrutiny, with more cases expected to receive TP adjustments and surcharges from IRAS.

- Stringent Mutual Agreement Procedure (MAP) process:** The IRAS has updated the MAP process in the 7th edition to remove (i) notification of intent and (ii) pre-filing meeting as compulsory steps from the previous MAP process. Taxpayers have the option to initiate a discussion with IRAS before submitting the MAP application. The new MAP process appears to be more stringent, with an added evaluation step by IRAS before accepting the MAP application. This implies that IRAS may require more information from taxpayers for evaluation before indicating if the application is accepted.

Key Takeaways

This latest update in the e-tax guide is a welcome addition to the regulations that will provide much-needed certainty. The updates show the IRAS' transfer pricing compliance program and position regarding various transfer pricing matters. It signifies the IRAS' recognition of practical challenges.

Articles

Union Budget 2024: Significant Changes in Personal Income Tax

26 July 2024

Taxsutra | Sneha Pai

<https://bit.ly/3WL49dD>

Budget 2024 Reshapes Indirect taxes for Growth and Compliances

24 July 2024

Taxsutra | Sanjay Chhabria

<https://bit.ly/4dHL9DC>



From the Judiciary

Direct Tax

Can services rendered by a foreign affiliate be taxed as Fees for Technical Services (FTS) under the India-USA DTAA, given that the term "managerial" is not included in the DTAA?

Herbalife International India Private Ltd
TS-444-ITAT-2024(Bang)

Facts

Herbalife International India Pvt. Ltd. (the taxpayer) is part of the Herbalife group and is engaged in manufacturing and supplying nutritional products. The taxpayer made payments to its Associated Enterprise (AE), Herbalife International Inc., USA, for Royalty, IT, technical, and administrative services without deducting the tax at source.

The Revenue initiated proceedings in which the taxpayer failed to deduct TDS on these payments, which were classified by the Assessing Officer (AO) as 'Fees for Technical Services' (FTS).

It was contended that the AE had made technical knowledge and expertise available to the taxpayer, which would attract taxability under the relevant provisions.

The taxpayer argued that the payments were in the nature of reimbursements for administrative services provided by

the AE on a cost-to-cost basis, without any markup, hence, no TDS was required to be deducted. The taxpayer argued that the term "managerial services" does not appear in the Double Taxation Avoidance Agreement (DTAA) between India and the USA, specifically under Article 12(4), which deals with "fees for included services." Therefore, these payments should not be considered taxable under the DTAA provisions.

Held

The Tribunal ruled in favor of the taxpayer and held that the AE's administrative services were not in the nature of FTS as per Article 12(4) of the India-USA DTAA. The Tribunal emphasized that the term "managerial services" is not mentioned in the DTAA, and thus, the provisions of the DTAA would override the domestic tax laws.

The Tribunal referred to several case laws, including the reversal of the decision in Shell India Markets Pvt. Ltd. by the Bombay High Court and the ruling in CIT vs. De Beers India Minerals Pvt. Ltd. by the Karnataka High Court. It also relied on the Bangalore ITAT's decision in Tyco Fire and Security India Pvt. Ltd., which supported the taxpayer's arguments that technical knowledge was not "made available" to the taxpayer.

Consequently, the appeal filed by the taxpayer was allowed, and the Revenue's demands were dismissed.

Our Comments

This case highlights the principle that DTAA provisions take precedence over domestic tax laws in case of a conflict and the absence of the term "managerial services" in the DTAA between India and the USA played a pivotal role in the Tribunal's decision.

Does the Most Favored Nation (MFN) clause in a DTAA automatically apply when the DTAA with a third state offers more favorable terms, or must specific conditions be met first?

Omar Sebastian Cabrera Cabrera
TS-477-FC-2024(Colombia Supreme Court)

Facts

Colombia has several DTAA's, including those with the UK, Switzerland, Spain, and Chile, which contain MFN clauses. Such a clause stipulates that if Colombia enters into a DTAA with a third state offering lower tax rates or different classifications for certain payments, those terms should apply automatically to existing DTAA's.

The Colombia-UK DTAA excludes payments for technical services, assistance, and consulting from being classified as Royalties.

The Colombian tax authority ruled that the MFN clauses in DTAA's with Switzerland, Spain, and Chile did not activate automatically because the Colombia-UK DTAA did not offer a lower tax rate but only changed the classification of payments.

Held

The Supreme Administrative Court of Colombia upheld the tax authority's decision.

Key points which support the decision are:

- The MFN clause requires explicit conditions to be met, such as Colombia agreeing on a lower tax rate with a third state.
- Simply changing the classification of payments, as done in the Colombia-UK DTAA, does not trigger the MFN clause.
- The activation of the MFN clause depends on the specific language and conditions of each DTAA.
- The Court emphasized a literal interpretation of the treaty text where the language is clear.

This decision underlines that the MFN clause does not apply automatically and that taxpayers must meet all stipulated conditions in the treaty to benefit from it.

In the Indian context, recently, the Hon'ble Supreme Court, in the case of Nestle SA [TS-616-SC-2023] ruled that lower tax rates or restricted scope agreed with a third state are not automatically enforceable and must be notified separately by the government under the Income-tax Act, 1961.

Our Comments

The decision highlights the importance of precise language in international tax treaties and the need for clear stipulations in MFN clauses. This decision provides insight into how international courts perceive the MFN clause and its implementation compared to India.

Transfer Pricing

Guarantee ceases on classification of loan as NPA and accordingly, ITAT Deletes TP adjustment qua guarantee

JE Energy Ventures Private Limited
TS-272-ITAT-2024(DEL)-TP

Assessment Year – 2017-18

Facts of the case

The assessee is engaged in providing support and other services of air charter, leasing, trading, and lending finance business. The assessee provided a corporate guarantee for two loan arrangements between its AEs and Exim Bank. The AEs were unable to meet the obligation for unpaid dues resulting in the said loan being classified as a non-performing asset by EXIM Bank. Furthermore, the bank has initiated recovery proceedings against the AE and the said fact has been intimated to the assessee.

The Transfer Pricing Officer (TPO) proposed an arm's length adjustment for corporate guarantee and treated the same as an International transaction (which was treated as a shareholder activity by the assessee). Furthermore, TPO arrived at an arm's length rate of 2.01% and accordingly made an adjustment for the underlying International transaction.

Being aggrieved by the order of TPO and further on receipt of an unfavorable order by the Dispute Resolution Panel (DRP), the assessee made an appeal before the honorable Income Tax Appellate Tribunal (ITAT).

ITAT order

ITAT rejected assessee's approach of treating the transaction as Shareholder activity and treated the same as an international transaction. The ITAT highlighted that in assessee's own case in AY 2013-14, the assessee had received a fee for providing a corporate

guarantee of INR 27 million, the coordinate bench held that the services provided by the assessee to their step-down subsidiary fall within the definition of Corporate Guarantee. However, the facts for consideration in this AY are different since the subsidiaries had not serviced the obligation towards the loan they took and the same were classified as non-performing assets (NPA) by the bank. The same was intimated to the assessee in May 2016 and recovery proceedings were initiated by the assessee, who was the primary guarantor.

Furthermore, ITAT states that where the situation of default is apparent and recovery proceedings have commenced, corporate guarantee ceases to exist and accordingly, the repayment obligation of interest and Principal by the assessee becomes crystallized. The service guarantee for the loan availed by the AEs does not exist anymore. Therefore, the Assessee cannot avail any guarantee fees from the borrowers. In continuation of the same, ITAT concluded that there was no international transaction in the case.

Our Comments

When an assessee provides a corporate guarantee to its AE, the assessee needs to assess the credit worthiness (credit risk) of the borrower, i.e., the AE. Furthermore, in the case where there are indications of default, like where the bank has treated the borrower as NPA or where there is clear default exists, the assessee should not charge any guarantee fees for the underlying corporate guarantee for the said period since the guarantee shall cease to exist and hence may not be considered as an international transaction.

Deletes adjustments made solely on the basis of differences in accounting policies

GE Subsidiary Inc.
TS-260-ITAT-2024Mum-TP

Assessment Year 2014-15

Facts of the case

GE Subsidiary Inc., a US-based company, earns royalty income from its Indian AE for using its trade name. The TPO had made a royalty adjustment of INR 79.5 million for FY 2014-15 based on discrepancies between amounts reported in Form 3CEB and financial statements of the Indian AEs and GE Subsidiary Inc.

The ITAT noted that such discrepancies were due to different accounting standards and fiscal year calculations between the USA and India.

Taxpayer's contention before ITAT

GE subsidiary argued that the TPO's adjustment was solely based on these differences without applying any prescribed method for benchmarking the Arm's Length Price (ALP) of international transactions. GE Subsidiary Inc. follows US Generally Accepted Accounting Principles (GAAP) and a calendar year for accounting, whereas its Indian AEs adhere to different revenue recognition principles. These variations led to timing differences in royalty income recognition, which the TPO failed to consider adequately. Furthermore, the India-U.S. DTAA permits royalty taxation on a receipt basis, supporting the differences in reported amounts.

Held by ITAT

The ITAT emphasized that the TPO's adjustment lacked legal foundation as no prescribed methods under Section 92C of the Income Tax Act were applied, making the adjustment ad-hoc and legally unsustainable. Citing precedents, the ITAT reiterated that adjustments based solely on timing

differences do not affect the arm's length determination of transactions and do not cause substantial loss to the exchequer.

The Tribunal concluded that the TPO's adjustment was not legally sustainable and ruled in favor of GE Subsidiary Inc., deleting the royalty adjustment. This ruling underscores the necessity for consistent and legally grounded transfer pricing assessments.

Our Comments

The ITAT's decision in favor of GE Subsidiary Inc. highlights the importance of adhering to prescribed methods for transfer pricing assessments. This ruling underscores that adjustments based solely on timing differences and global accounting standards cannot form a legally sustainable basis for transfer pricing adjustments. It is important to maintain appropriate reconciliation for the same. The case reaffirms the need for consistent and legally grounded approaches in transfer pricing evaluations, ensuring that international transactions are fairly assessed.

Tax Talk

Indian Developments

Direct Tax

Condonation of delay in payment made under the Vivad se Vishwas Act, 2020

Order F. NO. 173/03/2021-ITA-I(PT. 2) dated 27 June 2024

After receiving applications for accepting the delay in payment of taxes specified in Form-3 of Direct Tax Vivad se Vishwas Rules, 2020, CBDT directs that the delayed payment of requisite taxes in the cases fulfilling the following conditions may be accepted under Direct Tax Vivad se Vishwas Act, 2020 (DTVSV Act):

- The assessee has made full payment of taxes (including the amount payable after the due date as prescribed in Form-3 of the DTVSV Rules) on or before 28 February 2022 under the DTVSV Act, and
- The appeal(s) mentioned in Form-1 of the DTVSV Rules either has been withdrawn or has not been decided as of the date of full payment of taxes (including the amount payable after the due date as prescribed in Form-3 of the DTVSV Rules).

Accordingly, the concerned PICT shall issue a modified Form-3 manually, if needed and allow the assessee to file Form-4 manually and thereafter issue Form-5 manually after examining the

conditions as per the DTVSV Act.

The entire process is said to be completed by 30 September 2024.

Extension of sunset clause of Section 10(23FE) of Income-tax Act, 1961 - Income of specified person from an investment made in India

Notification s.O. 2830(e) [no. 54/2024/f. No. 500/misc./s10(23fe)/ft&tr-ii] To notification s.O. 2867(e) [no. 92/2024/f.No. 500/misc./s10(23fe)/ft&tr-ii]

And

Notification s.O. 2880(e) [no. 87/2024/f.No. 500/misc./s10(23fe)/ft&tr-ii] dated 18 July 2024

The government introduced Section 10 (23FE) under the Income Tax Act to provide specified persons (these include a subsidiary of Abu Dhabi Investment Authority, notified SWFs and notified pension funds) an exemption from dividend, interest and long-term capital gains income earned from investments made in specified infrastructure businesses in India on or after the 1 April 2020 but on or before the 31 March 2024 and is held for at least three years. This time limit for investment has been extended to 31 March 2025.

Transfer Pricing

Union Budget 2024 - Key amendments proposed in the Union Budget

This update can be read in detail on the below¹:

Providing Certainty to MNCs and reducing Transfer Pricing litigation

- The government aims to make safe harbor provisions more attractive to MNCs. Detailed rules are expected to be announced, focusing on expanding transaction coverage, reducing mark-ups, and simplifying administration.
- Scope of Transfer Pricing Officers expanded to cover Specified Domestic Transactions not reported in Form No. 3CEB
- Thin Capital provisions under Section 94B to now exclude Finance Company located in IFSC. Earlier, the exclusion was for an Indian Company or a Permanent Establishment (PE) engaged in banking or insurance business or notified Non-Banking Financial Corporations (NBFCs).
- Under secondary adjustment provisions, if the amount of the primary adjustment is not repatriated within the prescribed time, the taxpayer has the option to pay an additional tax of 18% on the primary

1. <https://bit.ly/3M72Y3e>

adjustment. A surcharge of 12% will now be levied on this additional tax, resulting in an effective tax rate of 20.16%.

Other Updates

An eye-popping update from Mumbai is that the Income-tax Department is getting another chance before the Bombay High Court in the case of PayPal Payments Private Limited (Writ Petition (L) No. 30944 of 2023) dealing with a burning controversy on the issue of applicability of Section 153 to Section 144C. The case is being heard before the division bench of the hon'ble Bombay HC for a pre-admission hearing and an update on the same can be expected by the start of August.

The question for consideration before the hon'ble HC is whether the time limit for passing the final assessment order could also apply to the proceedings carried out before the DRP under Section 144C. The issue herein is similar to the earlier ruling of Bombay HC in the case of Shelf Drilling entities and Madras HC ruling in the case of Roca Bathroom Products Private Limited, where the division bench of the High Court had ruled in favor of the assessee and had quashed the assessment order by holding it time-barred. However, the honorable Supreme Court of India has granted interim relief to the Income-tax department and put the said order on hold.

Indirect Tax

Customs

CBIC extends RoDTEP benefit to SEZ units from 1 July 2024

Notification No. 50/2024–Customs (N.T.) dated 19 July 2024

The CBIC has extended the benefit of the Remission of Duties and Taxes on Export Products (RoDTEP) Scheme to SEZ units. Accordingly, the RoDTEP benefit can be claimed for goods manufactured or exported by SEZ units, for which the shipping bill or bill of export must be presented on or after 1 July 2024.

Notification No. 24/2023-Customs (NT) has been amended to this extent.

FinMin extends IGST benefits on the import of aircraft parts and components for MRO activities

Notification No. 28/2024-Customs dated 12 July 2024

Pursuant to 53rd GST Council meeting recommendation, the Central Government has notified 5% IGST rate on import of components or parts prescribed in any of the following manuals – (a) Aircraft Maintenance Manual, (b) Component Maintenance Manual, (c) Illustrated Parts Catalogue, (d) Structural Repair Manual, or (e) Standard Procedural Manual of the OEMs, for servicing, repair, maintenance or overhauling, subject to fulfillment of prescribed conditions.

The government has also exempted the temporary import of equipment or buoys required for the Research Moored Array for the African Asian Australian Monsoon Analysis and Prediction (RAMA) program, subject to specified conditions. Such exemption shall be in force until 31 July 2026.

Accordingly, Notification No. 50/2017-Customs stands amended w.e.f. 15 July 2024.

FinMin revises BCD and AIDC rates on silver and platinum items under India UAE CEPA

Notification No. 40/2024-Customs dated 29 July 2024

The Central Government has increased the BCD rate on the import of silver and platinum inter alia in unwrought or powder form and in semi-manufactured sheets, plates, stripes, etc., to 7% and 3.6%, respectively, while reducing the AIDC to 1% and 1.4% respectively.

Similarly, Iridium, Osmium and Ruthenium, in unwrought or in powder or other form will attract 3.6% BCD while AIDC will be levied at 1.4%.

Accordingly, Notification 22/2022-Customs dated 30 April 2022 has been amended.

Foreign Trade Policy (FTP)

DGFT clarifies the applicability of the extended Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit

Trade Notice No. 08/2024-2025 dated 10 July 2024

The Interest Equalization Scheme (IES), formulated to give benefit in the interest rates being charged by the banks to the exporters on their Pre and Post Shipment Rupee Export Credits, was extended beyond 30 June 2024 by two months, i.e., up to 31 August 2024 vide Trade Notice No. 7/2024-2025 dated 28 June 2024.

However, considering the difficulties being faced by the banks on the applicability of said Trade Notice, the DGFT has now clarified as follows:

- The Interest Equalisation will be capped at Rs. 16.6 million per IEC for the period from 1 July 2024 to 31 August 2024.
- The extended scheme is applicable only to MSME Manufacturer Exporters, who are eligible for an IES benefit of 3%.
- Applicants would not be required to generate revised UIN for the extended period if the applicants have already generated UIN for FY 2024-2025.

DGFT reduces composition fee for advance authorization export obligation default in value and minimum value addition

Public Notice No. 14/2024-25 dated 16 July 2024

DGFT has amended Para 4.49(b) of Handbook of Procedures, 2023 to reduce the composition fee from 3% to 1% of the shortfall in FOB value in Indian Rupee, in case of default in fulfillment of export obligation in value terms as well as the default in the achievement of minimum value addition under Advance Authorization Scheme.

Quotes and Coverage

Outward remittances exceeding INR 6 lakh come under I-T scanner

Economic Times

13 August 2024

<https://bit.ly/3SVum81>

New LTCG rule on property to hit homeowners hard: Below 9% annual property price growth, common in many cities, could mean higher loss now

26 July 2024

Economic Times | Sneha Pai

<https://bit.ly/4dlOcvp>

Unclaimed deposits and dividends: Govt revamps corporate disclosure regime

20 July 2024

LiveMint | Subodh Dandawate

<https://bit.ly/4dNdski>

Industry expects correction of inverted duty structure on leather, textiles in Budget 2024-25

19 July 2024

Money Control | Sanjay Chhabria

<https://bit.ly/3YKx2sY>

MCA to roll out more high security statutory filing forms in July

1 July 2024

LiveMint | Subodh Dandawate

<https://bit.ly/3S8sKaS>

Alerts

Key Highlights of GST Notifications and Clarification Circulars in July 2024

5 August 2024

<https://bit.ly/4cnqOT2>

RBI proposes amendments in Import Export Regulations

30 July 2024

<https://bit.ly/4cw5dl9>

Gist of Circulars issued by CBIC on 11 July 2024

13 July 2024

https://lnkd.in/dX_S_xTt

Key Highlights of GST Notification and Clarification Circulars in June 2024

3 July 2024

<https://bit.ly/3S3U365>



Tax Talk

Global Developments

Direct Tax

OECD releases report on 'Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges'

The OECD and Global Forum on Transparency and Exchange of Information has recently published its report on Beneficial Ownership and Tax Transparency- Implementation and Remaining Challenges. The report delves into the implementation of beneficial ownership requirements within the exchange of information (EOI) standards, with a specific focus on the Transparency and Exchange of Information on Request (EOIR) standard. The report examines the current state of implementation across jurisdictions as evidenced in EOIR and AEOI peer reviews, analyses the results of EOIR peer reviews on effective implementation of beneficial ownership requirements and the remaining challenges, and explores best practices in beneficial ownership transparency. The report proposes potential directions to further strengthen beneficial ownership transparency within the global tax landscape.

This report was prepared by the OECD and Global Forum on Transparency and Exchange of Information for tax purposes to provide the discussions held at the July 2024 G20 meeting of Finance Ministers and Central Bank Governors at the request of the G20 Brazilian Presidency.

Transfer Pricing

UAE: Clarification on the definition of related party transaction²

The Federal Tax Authority (FTA) issued a Corporate Tax Public Clarification on 22 July 2024, clarifying the definition of related parties in case of common ownership and/or control by virtue of the UAE Federal Government or a Local Government.

The clarification explains that Taxable Persons with common ownership of at least 50% or control (either directly or indirectly) through the Federal Government are not related parties.

Nevertheless, the clarification explicitly provides that transactions between entities in the same group structure the government holds will be considered as related parties, and UAE TP provisions shall apply accordingly.

Our Comments

This move will significantly save time and effort for the management in the identification of related party transactions, thereby reducing substantial transfer pricing compliance.

2. <https://bit.ly/3yGFq22>

Amendment in Australia's public CBC reporting³

Schedule 4 to the Omnibus Bill implements Australia's public country-by-country reporting (CBCR) regime by amending the Taxation Administration Act 1953 (TAA) to require certain large multinational enterprises to publish selected tax information on a country-by-country (CBC) basis for specified jurisdictions and on either a CBC basis or an aggregated basis for the rest of the world.

The objective of public CBCR is to improve information flows to help the public, including investors, to compare entity tax disclosures to better assess whether an entity's economic presence in a jurisdiction aligns with the amount of tax they pay in that jurisdiction.

Indirect Tax

Vietnam extends VAT reduction till end of 2024

Excerpts from various sources

The Vietnamese government extended the VAT reduction from 10% to 8% until 31 December 2024. However, there is no expansion in the scope of goods and services eligible for the reduced tax rate. Sectors excluded from such reduction are telecommunications, IT, finance, banking, insurance, real estate, metals and prefabricated metal products, refined petroleum, chemical products, and products and services subject to special consumption tax.

The Decree takes effect from 1 July 2024 until 31 December 2024.

Saudi Arabia extends VAT amnesty until 31 December 2024, announces e-invoicing for 13th group of taxpayers

Excerpts from various sources

The Zakat, Tax and Customs Authority (ZATCA) of Saudi Arabia has announced an extension of its amnesty initiative, which waives fines and penalties relating to corporate income tax, withholding tax, VAT, Excise, and real estate transaction tax until 31 December 2024.

However, this amnesty does not cover fines paid before the effective date of the initial amnesty initiative, viz., 1 June 2022, penalties for tax evasion, or fines related to returns due after 1 July 2024. To benefit from the amnesty, taxpayers must register with ZATCA, submit any outstanding tax returns, and either settle their tax liabilities or apply for an installment plan.

Additionally, ZATCA has outlined the requirements for the 13th group of taxpayers who need to comply with the second phase of the e-invoicing system implementation. This phase would apply to taxpayers with VAT-liable revenues

exceeding SAR 7 million in 2022 or 2023. The mandate of this group will commence on 1 January 2025.

Canada introduces 3% Digital Services Tax (DST) retrospectively from January 2022

Excerpts from various sources

Canada's Digital Services Tax (DST) was implemented on 28 June 2024. The 3% tax applies to online revenues earned from 1 January 2022.

The following thresholds have been prescribed:

- **Total revenue threshold:** If a taxpayer or, if applicable, its consolidated group, earns total revenue from all sources of EUR 750,000,000 or more in a fiscal year of the taxpayer or group that ends in a particular calendar year, the taxpayer or group would meet this threshold for the subsequent calendar year.
- **Canadian in-scope revenue threshold:** If the taxpayer (or the taxpayer's consolidated group, if applicable) earns greater than CAD 20,000,000 of Canadian in-scope revenue in the calendar year. However, if a taxpayer earns more than CAD 10,000,000 of Canadian in-scope revenue in the calendar year, it will still be required to register for the DST even if no DST is payable.

Businesses meeting the aforesaid criteria must register with the Canada Revenue Agency (CRA) by 31 January 2025. They are required to file their first DST return and pay any owed taxes by 30 June 2025 to avoid penalties and interest.

3. <https://bit.ly/4cszrvy>

Upcoming Events

Determining Tax bill under UAE Corporate Tax law

29 August 2024

Nishit Parikh, Hiren Vora

<https://bit.ly/3yo41J2>

Events and Webinars

Important aspects to consider while filing income tax and transfer pricing returns including Foreign Companies doing business with India

13 August 2024

Sneha Pai, Abhay Saboo

Union Budget 2024

1 August 2024

Vikas Thakur, Nishit Parikh and Hiren Vora

Navigating the Indian Budget 2024: Implications for Foreign Businesses

31 July 2024

Maulik Doshi, Nishit Parikh

Union Budget 2024

CXO Genie

26 July 2024

Maulik Doshi, Sanjay Chhabria

LGT

25 July 2024

Nishit Parikh, Shraddha Shah

SEPC

25 July 2024

Sneha Pai, Hiren Vora

Amcham

25 July 2024

Maulik Doshi, Sanjay Chhabria

IGCC

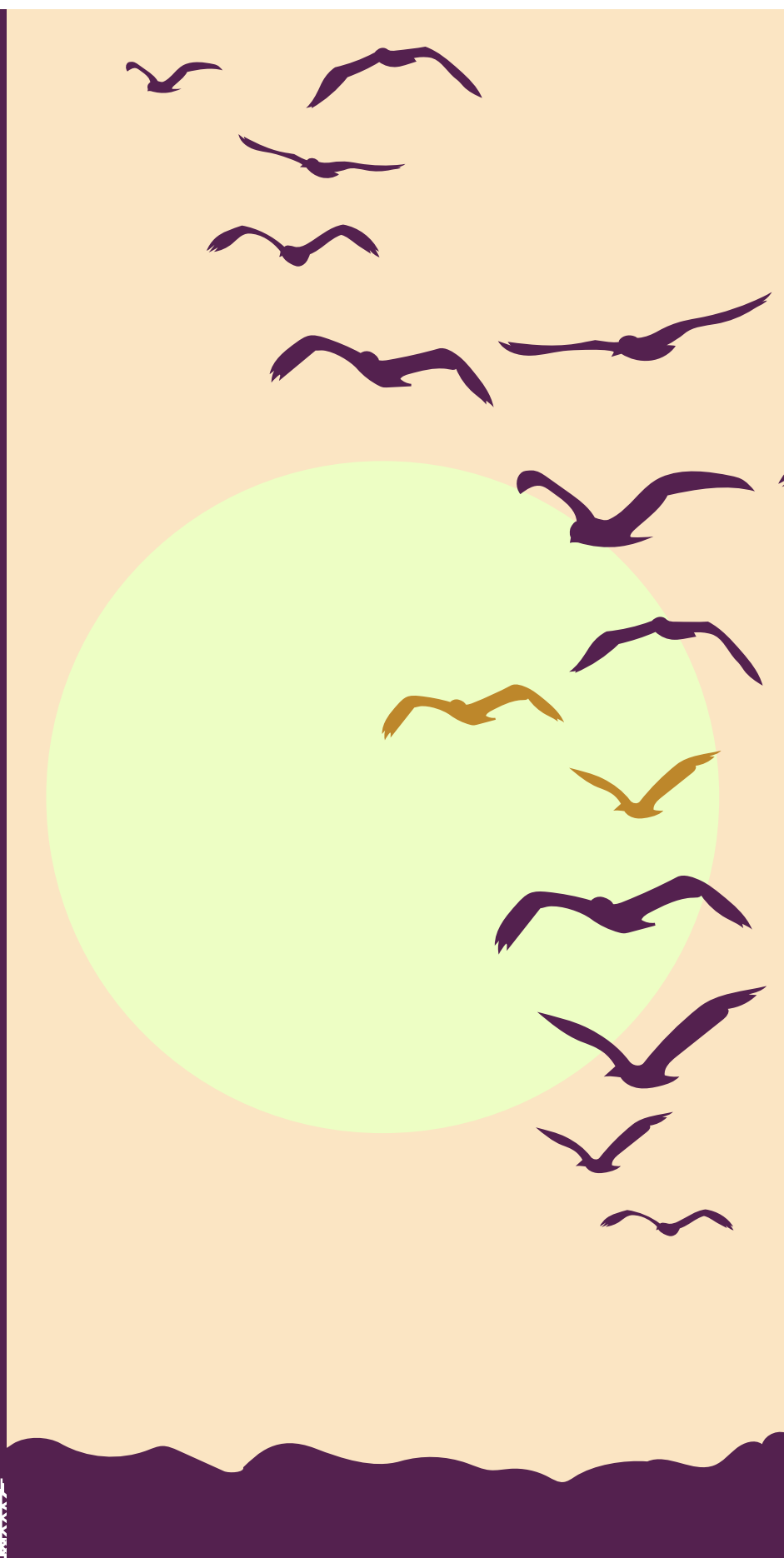
24 July 2024

Sneha Pai, Aditya Nadkarni

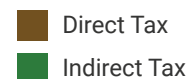
IFCCI

24 July 2024

Nishit Parikh, Sanjay Chhabria



Compliance Calendar



7 August 2024

- Due date for deposit of Tax deducted/collected for June 2024. 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 the production of an Income-tax Challan.
- Due date for deposit of TDS for the period April 2024 to June 2024 when the AO has permitted quarterly deposit of TDS under Section 192, 194A, 194D or 194H.

13 August 2024

- GSTR-6 for July 2024 to be filed by Input Service Distributors (ISDs).
- Uploading B2B invoices using Invoice Furnishing Facility (IFF) under QRMP scheme for July 2024 by taxpayers with aggregate turnover of up to INR 50 million.
- GSTR-5 for July 2024 to be filed by Non-Resident Foreign Taxpayers.

20 August 2024

- GSTR-5A for the month of July 2024 to be filed by Non-Resident Service Providers of Online Database Access and Retrieval (OIDAR) Services.
- GSTR-3B for the month of July 2024 to be filed by all registered taxpayers not under QRMP Scheme.

30 August 2024

- Quarterly TCS certificate in respect of tax collected by any person for the quarter ending 30 June 2024.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA for June 2024.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IB for June 2024.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194M for June 2024.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194S (by specified person) in June 2024.

10 August 2024

- GSTR-7 for July 2024 to be filed by taxpayers liable to Tax Deduction at Source (TDS).
- GSTR-8 for July 2024 to be filed by taxpayers liable to Tax Collection at Source (TCS).

11 August 2024

- GSTR-1 for July 2024 to be filed by all registered taxpayers not under QRMP Scheme.

15 August 2024

- Due date for issue of TDS Certificate for tax deducted under Section 194-IA in May 2024.
- Due date for issue of TDS Certificate for tax deducted under Section 194-IB in May 2024.
- Due date for issue of TDS Certificate for tax deducted under Section 194M in May 2024.
- Due date for issue of TDS Certificate for tax deducted under Section 194S in May 2024.
- Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending June 2024.
- Quarterly statement of TCS deposited for the quarter ending 30 June 2024.
- Upload the declarations received from recipients in Form No. 15G/15H during the quarter ending June 2024.
- Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for June 2024.

25 August 2024

- Payment of tax through GST PMT-06 by taxpayers under QRMP Scheme for June 2024.

Compliance Calendar

- Direct Tax
- Indirect Tax

31 August 2024

- Quarterly statement of TDS deposited for the quarter ending 30 June 2024.
- Return of income for the AY 2024-25 for all assessee other than (a) corporate-assessee or (b) non-corporate assessee (whose books of account are required to be audited) or (c) partner of a firm whose accounts are required to be audited or the spouse of such partner if the provisions of Section 5A applies or (d) an assessee who is required to furnish a report under Section 92E.
- Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending 30 June 2024.
- Statement by scientific research association, university, college or other association or Indian scientific research company as required by Rules 5D, 5E and 5F (if due date of submission of return of income is 31 July 2024).
- Intimation in Form 10BBB by a pension fund in respect of each investment made in India for quarter ending June 2024.
- Intimation in Form II by Sovereign Wealth Fund in respect of investment made in India for quarter ending June 2024.

13 September 2024

- GSTR-6 for the month of August 2024 to be filed by ISDs.
- Uploading B2B invoices using IFF under QRMP scheme for the month of August 2024 by taxpayers with aggregate turnover of up to INR 50 million.
- GSTR-5 for the month of August 2024 to be filed by Non-Resident Foreign Taxpayers.

7 September 2024

- Due date for deposit of tax deducted/collected for July 2024. 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 the production of an Income-tax Challan.

10 September 2024

- GSTR-7 for August 2024 to be filed by taxpayers liable to TDS.
- GSTR-8 for August 2024 to be filed by taxpayers liable to TCS.

11 September 2024

- GSTR-1 for August 2024 by all registered taxpayers not under QRMP Scheme.

Easy Remittance Tool

by Nexdigm



Form 15CA/CB Automation



Review of tax position by experts



Issuance of bulk certificates through Automated tool



Repository - Access to entire set of documents



Access to Detailed transaction wise reports



Representation Support



Generation 15CA bulk files & utility to generate Form A2

About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to *Think Next*.

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