

FOCAL POINT

Newsletter from Raju and Prasad Chartered Accountants

May 2024

Volume 11, Issue 3

Dear Reader,

The Policy updates and Verdicts of Various High Courts are enclosed in this newsletter.

We would like to draw your attention to various important updates, including CBIC update on extension of due date for filing Form 10A& 10AB and regarding consequences of PAN becoming inoperative. Additionally, The Securities and Exchange Board of India (SEBI) has notified regarding Standardization of the Private Placement Memorandum (PPM) Audit Report and also the improvement of the GST Portal by the GST Network.

Hope this issue will find you and your near & dear in good health. Be safe, and healthy

Regards

For Raju and Prasad

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"The future belongs to those who believe in the beauty of their dreams."

- Eleanor Roosevelt

Policy Watch

Direct Tax

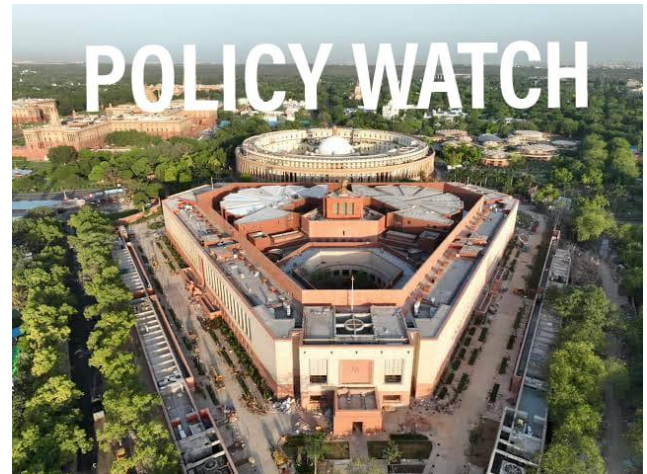


CBDT releases guidelines for compulsory selection of ITR for mandatory scrutiny during FY 2024-25

The Central Board Direct Taxes (CBDT) has released guidelines relating to compulsory selection of Income tax returns for 100% Scrutiny during the financial year 2024-2025. The board has also notified the procedure for compulsory selection which are similar to guidelines issued for FY 2023-24

Survey cases under section 133A shall be selected with an approval of administrative department, which would be transferred to the Central Charges within 15 days of notice served.

Search and Seizure cases that were initiated before and after April 1, 2021 shall be selected with an approval of administrative department, which would be transferred to the Central



Charges within 15 days of notice served.

Cases with notices under section 148 shall be selected with an approval of administrative department, which would be transferred to the Central Charges within 15 days of notice served.

Cases related to registration/approval under various sections shall be prepared and submitted for approval, transferred if it is necessary or department finds it necessary to transfer.

Cases involving addition in earlier assessment years shall be selected based on the specific criteria defined by CBDT, the notice shall be served through National faceless assessment center (NFAC)

*Cases that come under above scenarios will be selected by department and shall be transferred for faceless assessment to NFAC by **May 31, 2024***

*143(2) of the Act to be served in cases selected for Compulsory Scrutiny by **June 30, 2024***

Partial modification of Circular No.3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per rule 114AAA of the Income-tax Rules, 1962- reg.

Circular No. 3 of 2023, issued on March 28, 2023, by the Board, outlines the repercussions of a PAN becoming inoperative. It states that failure to link Aadhaar as per Section 139AAA of the Income-tax Act, 1961, along with Rule 114AAA, leads to various consequences. These include the non-refund of tax amounts, non-payment of interest on refunds, higher deduction/collection rates under sections 206AA/206CC for TDS/TCS, respectively. These consequences are effective from a date specified by the

Board, initially set as July 1, 2023, until the PAN becomes operative.

Following complaints from taxpayers who received notices for TDS/TCS defaults due to inoperative PANs of deductee/collectees, the Board partially modifies Circular No. 3 of 2023. It specifies that for transactions up to March 31, 2024, and cases where the PAN becomes active (due to Aadhaar linkage) by May 31, 2024, deductors/collectors are not liable to deduct/collect tax under sections 206AA/206CC. Instead, they should adhere to deduction/collection requirements mandated in other provisions of the law.

Extension of due date for filing of Form No.10A/10AB under the Income-tax Act,1961-reg.

FORM 10A: Form 10A applies to a charitable or religious trust for applying and obtaining registration under Section 12A. Those charitable or religious trusts who wish to claim exemptions under Section 11 and 12 are required to get registered under

the Income Tax Act of India by filing Form 10A.

FORM 10AB: Form 10AB refers to a mandatory form that trusts and charitable organizations need to fill to claim tax benefits under Section 10(23C), 12A, or 80G of the Income Tax Act. The form requires details regarding the activities and financials of an organization or trust.

The Central Board of Direct Taxes extends the deadline for **Form No. 10A & 10AB** applications/intimations until June 30, 2024, due to reported difficulties. Pending Form No. 10AB applications are validated, and reapplications are allowed for rejected submissions due to late filing or incorrect codes. Entities that failed to file Form No. 10A for AY 2022-23 on time but received provisional registration can surrender Form No. 10AC and reapply by June 30, 2024. This extension aims to alleviate hardships faced by taxpayers and stakeholders in electronic filing processes. The move enables smoother application processes for trusts, institutions, and funds under

various provisions of the Income Tax Act. These measures aim to facilitate compliance while accommodating genuine challenges encountered by taxpayers and entities.

Refer to the following link for the circular:

<https://incometaxindia.gov.in/Pages/communications/circulars.aspx>

RBI Updates



Status of Withdrawal of ₹2000 Denomination Banknotes.

The Reserve Bank of India (RBI) had announced the withdrawal of ₹2000 denomination banknotes from circulation vide Press Release 2023-2024/257 dated May 19, 2023. The status of withdrawal of ₹2000 banknotes is periodically published by the RBI. The last press release in this regard was published on April 01, 2024.

2. The facility for deposit and / or exchange of the ₹2000 banknotes was available at all bank branches in the country up to October 07, 2023.

3. The facility for exchange of the ₹2000 banknotes is available at the 19 Issue Offices of the Reserve Bank (RBI Issue Offices) since May 19, 2023. From October 09, 2023, RBI Issue Offices are also accepting ₹2000 banknotes from individuals / entities for deposit into their bank accounts. Further, members of the public are sending ₹2000 banknotes through India Post from any post office within the country, to any of the RBI Issue Offices for credit to their bank accounts.

4. The total value of ₹2000 banknotes in circulation, which was ₹3.56 lakh crore at the close of business on May 19, 2023, when the withdrawal of ₹2000 banknotes was announced, has declined to ₹7961 crore at the close of business on April 30, 2024. Thus, 97.76% of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned.

5. The ₹2000 banknotes continue to be legal tender.

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57832

RBI invites comments on the Draft Circular on “Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders”

In pursuance of the announcement made in the [Statement on Developmental and Regulatory Policies](#) dated December 08, 2023 regarding issuance of a regulatory framework for aggregation of loan products by lending service providers (LSPs), the Reserve Bank of India has today placed on its website the [Draft Circular on ‘Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders’](#).

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57791

Comments/ feedback, if any, may be sent by [e-mail](#) with the subject line "Comments on Draft Circular on Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders", by May 31, 2024.

SEBI**Standardization of the Private Placement Memorandum (PPM) Audit Report**

- i) In terms of Regulation 28 of SEBI (AIF) Regulations, 2012 and Clause 2.4 of SEBI Master Circular dated July 31, 2023 (Master Circular) it is mandatory for AIFs to carry out an annual audit of compliance with the terms of Private Placement Memorandum (PPM). In terms of Clause 2.4.2 of Master Circular, AIFs are required to submit Annual PPM Audit Reports to the Trustee or Board of Directors or Designated Partners of the AIF, Board of directors or Designated Partners of the Manager and SEBI, within 6 months from the end of the Financial Year.
- ii) In order to have uniform compliance standards and for ease of compliance reporting, standard reporting format for PPM Audit Report applicable to various categories of AIF has been prepared in consultation with pilot Standard Setting Forum for AIFs (SFA)
- iii) The said reporting format shall be hosted on the websites of the AIF Associations which are part of SFA within 2 working days of issuance of this circular. The associations shall assist all AIFs in understanding the reporting requirements and in clarifying or resolving any issues which may arise in connection with reporting to ensure accurate and timely reporting.
- iv) The PPM audit reports shall be submitted to SEBI by AIFs online on the SEBI Intermediary Portal (SI Portal) as per the aforesaid format.
- v) In terms of Clause 2.4.1 of Master Circular audit of sections of PPM relating to 'Risk Factors', 'Legal, Regulatory and Tax Considerations' and 'Track Record of First Time Managers' shall be optional. In addition, 'Illustration of Fees and Expenses'

and 'Glossary and Terms' shall also be optional

- vi) All other provisions with respect to the filing of the PPM audit report specified in the Master circular shall remain unchanged.
- vii) The reporting requirement mentioned at paragraph 3 above shall be applicable for PPM audit reports to be filed for the Financial Year ending March 31, 2024 onwards
- viii) To keep pace with the fast-changing landscape of AIF industry and for policy and supervision purposes, the aforesaid reporting format shall be reviewed periodically by pilot SFA in consultation with SEBI. In case of any revisions in the reporting format, revised format shall be made available on websites of the Associations which are part of SFA
- ix) This Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to

promote the development of, and to regulate the securities the securities market

https://www.sebi.gov.in/legal/circulars/apr-2024/standardization-of-the-private-placement-memorandum-ppm-audit-report_82938.html



Indirect Tax

Improvement in the GST Portal

GSTN is pleased to inform that the improved version of the GST portal would be launched on 3rd May 2024. The effort is to improve user experience and ensure that the information you need is accessible and easy to navigate.

Key Improvements Include:

News and Updates Section:
It has introduced a dedicated tab for all news and updates. This section now includes a beta search functionality, module wise drop downs and access to archived advisories dating back to 2017.

User Interface Improvements:
Minor tweaks have been made to the homepage to enhance usability and aesthetics especially to make it convenient to use.

Updated Website Policy:
GSTN has updated its website policy, including the data archival policy. Details regarding web managers have also been included.

These changes are scheduled to go live at midnight on 3rd May 2024.

<https://www.gst.gov.in/newsandupdates/read/495>

Verdicts

Direct Tax



Act: The Income Tax Act, 1961

1. Under scheme of Income Tax Act, specifically after faceless assessment was brought into force, a request has to be made for an oral hearing and unless request is made, would be concluded without oral hearing.

Vide Decision of HIGH COURT OF PATNA R. K. TRADERS. v. Assessment Unit, Income-tax Department

Facts of the case:

The assessee was aggrieved with the assessment order passed without affording an opportunity of hearing. It had not availed of the remedy of filing appeal provided from the order and sought for a remand so that an opportunity be afforded for a proper hearing.

Judgement:

1. Under the scheme of the Income Tax Act, specifically after the faceless assessment was brought into force, a request has to be made for an oral hearing. There is a specific option provided, which has to be ticked in the affirmative, to make the request while uploading the objection. Unless the request is made, the faceless assessment would be concluded without an oral hearing, which again is as per the scheme of the Act. The dictum of the Full Court does not apply here. There is a provision for appeal

where all the facts can be argued in person. The appellate authority also has sufficient power to get a report from the Assessing Officer, after affording an opportunity of hearing before the Assessing Officer.

2. The liberty of the assessee to approach the appellate authority is reserved. The period during which the writ petition was filed shall not be reckoned as delay.
3. The writ petition stands dismissed

Indirect Tax

Act: Central Goods and Services Act, 2017

1. **Where in spite of petitioner-assessee replying to show cause notice, order imposing GST on basis of total trade payable of petitioner-assessee came to be issued, therefore, impugned order was liable to be quashed and matter was remanded for reconsideration by assessing authority.**

Vide decision of HIGH COURT OF MADRAS, DSV Air and Sea Pvt LTD. vs State of Tamil Nadu

Facts of the case:

1. The petitioner received a show cause notice dated 30-09-2023 proposing a tax liability of Rs. 43,66,708.14 after an audit and submission of an audit report dated 26-09-2023.
2. The petitioner responded to the show cause notice stating that GST was imposed on total trade payables and Input Tax Credit (ITC) was availed in accordance with the law by paying for supplies within the specified 180-day period.
3. Despite the petitioner's response, an order dated 31-12-2023 was issued imposing GST on the total trade payables along with other tax liabilities.
4. The petitioner challenged the order on the grounds that it exceeded the scope of the show cause notice and that the imposition of GST on total trade payables was unjustified.

- The respondent's conclusion that GST was payable on total taxable supply as per the financial statements of the petitioner appeared prima facie untenable given the petitioner's response and compliance with statutory requirements.

Judgement:

- The Court acknowledged the discrepancy between the proposed tax liability in the show cause notice and the tax liability confirmed in the order.
- It found that the imposition of GST on total trade payables, based on the financial statements, was prima facie untenable given the petitioner's compliance with statutory requirements.
- The Court ordered the quashing of the impugned order subject to the condition that the petitioner remits 10% of the disputed tax demand under all heads, except trade payables, within two weeks.
- The respondents were directed to provide a reasonable opportunity to the petitioner, including a

personal hearing, and issue a fresh order considering all contentions within two months.

- The writ petition was disposed of with no order as to costs.

Statutory and Tax Compliance Calendar of June 2024

GOODS & SERVICE TAX	
10-June	GSTR 8 for May
11-June	GSTR 1 for May
13-June	GSTR 5 for May (NRTP)
20-June	GSTR 3B for May
20-June	GSTR 5A for May (OIDAR)

INCOME TAX	
31-May	Form 10BD
31-May	Form 61A (SFT)
15-June	Submission of TCS Return (quarterly)
31-June	Submission of TDS Return (quarterly)
15-June	Advance Tax for Q1 of A.Y 2025-26

STATUTORY

10-June	Professional Tax (PT)
15-June	Provident Fund (PF), ESI Payment for May
30-May	Form 11 (By LLP's)
30-June	Form DPT-3

Please visit

<http://www.rajuandprasad.com/newsletter.php>
for earlier issues

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“Greatness begins beyond your comfort zone.” – Robin Sharma