



A Monthly E-Newsletter
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The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	71,752	-0.68% ▼
NSE NIFTY50	21,726	-0.03% ▼
NASDAQ Composite	15,164	1.02% ▲
NIKKEI 225	36,287	8.43% ▲

Currency

USD/INR	83.10	8.43% ▲
Euro/INR	89.88	2.10% ▲
GBP/INR	105.38	0.49% ▲
JPY/INR	0.57	4.19% ▲

Note: The month-on-month movement as on January 31, 2024 is represented in percentages
Source: Yahoo Finance, Investing.com

DIRECT TAX

Notifications/Circulars

Income tax form for Companies for AY 2024-25 notified

CBDT notified income-tax return Form ITR-6 for Companies, with certain amendments including changes in reporting requirements, alterations in the format of certain sections, additional disclosure requirement for Capital Gain Account Scheme & donations made to political parties. There is also an addition of a new column for specifying the applicable due date for filing the return.

Notification No. 16 dated January 24, 2024

Judicial Rulings

Apex Court dismissed SLPs in TP and TDS cases

The Apex Court dismissed SLP against the orders of High Court in two distinct income tax matters. In respect of TP case for the AY 2015-16, it upheld that the adjustment on interest for outstanding receivables by a debt-free company was unwarranted, as no interest had been paid or earned from unrelated parties. In respect of a case involving TDS on salary under section 195 of the Act, it upheld that once the nature of payment was identified as salary, and tax deduction under section 192 had occurred, section 195 had no applicability.

Boeing India Pvt Ltd (Supreme Court)

Loss from capital reduction allowable for set-off

Relying on an Apex court ruling, the Tribunal held that reduction



of capital is an extinguishment of rights in shares and would amount to transfer under the provisions of the Act. Further, it rejected the contention of the AO that capital gain provisions would apply only to actual receipts, holding that where its investment has reduced to loss resulting in capital loss while computing the capital gain, capital loss has to be allowed or set-off against any other capital gain.

Tata Sons Ltd. (Mumbai ITAT)

Management Fee on ECB regarded as interest, exempt under DTAA

The Tribunal, relying on a Kolkata Bench ruling, held that the management fee received by a German bank for extending ECB to an Indian entity, is not taxable as FTS. It held that management fee partakes the character of interest, qualifying for exemption under India-Germany DTAA. The decision underscores a close link between the management fee and the loan, aligning it with commitment and documentation fees exempted as

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interest under the treaty. The ruling provides clarity on the tax treatment of such financial transactions under the DTAA.

AKA Ausfuhrkredit-Gesellschaft MBH (Delhi ITAT)



INDIRECT TAX

Circulars / Notifications / Press Releases

Special procedure to be followed by manufacturer of certain goods

Detailed procedures have been specified to be followed by taxpayers engaged in manufacture of specified goods including pan masala, unmanufactured tobacco, smoking mixtures, chewing tobacco etc.

Notification No. 04/2024-Central Tax dated January 05, 2024

- (ii) Automatic revocation of suspension if bank details furnished.
- (iii) If bank details not uploaded even after 30 days of suspension, then the officer can proceed with cancellation proceedings.

Advisory dated January 23, 2024

New tables introduced in GSTR-1 for supplies through ECO

Two new tables, Table 14 and Table 15 have been added in GSTR-1 from January 2024 onwards. These tables capture the details of the supplies made through ECO on which such ECO are liable to collect or pay tax.

Advisory dated January 15, 2024

Modes of payment of tax

To facilitate taxpayers, two new modes of payment namely card payments and UPI have been introduced under e-payment.

Advisory dated January 19, 2024

Details of bank account

A new functionality has been introduced on the GST portal with following features:

- (i) Bank details to be updated within 30 days from GST registration. GST registration will be suspended and taxpayer shall also be debarred from filing GSTR-1 return if updation is not done.

Judicial Rulings

Taxability of vouchers on redemption in case of unspecified goods

For identified goods specified in the vouchers, tax is payable at the time of issue of voucher, while for unspecified goods, tax is due at the time of redemption of the voucher.

M/s Tvi Kalyan Jewellers India Ltd (High Court of Madras)

Manual filing of appeals permitted

Taxpayers are permitted to file appeal application manually under Rule 108 of the CGST Rules. Therefore, department cannot refuse to accept such manually filed appeal.

M/s Optum Global Solutions India Pvt Ltd (Punjab and Haryana High Court)

Special procedure to be followed by manufacturer of certain goods

Taxability of vouchers on redemption in case of unspecified goods

Manual filing of appeals permitted

Service of Notice

Mere uploading of the SCN on the GST portal shall not be a valid service of Notice. The same should be physically served to the taxpayer.

M/s Jak Communication Pvt Ltd (Madras High Court)

Payment of tax liability

Where the taxpayer had routinely deposited GST amount in the electronic cash ledger within due dates, it would not be liable to pay interest even if GSTR-3B returns are filed belatedly.

M/s Eicher Motors Ltd (Madras High Court)



CORPORATE & ALLIED LAWS

Circulars / Notifications

Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024

MCA has issued the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 for companies who wish to list their equity shares on permitted stock exchanges in permissible jurisdictions. These rules, read with the Companies Act, 2013, provide a structured framework for unlisted and listed public companies explaining the applicability and scope, listing procedure, prospectus filing, financial standard compliances, eligibility criteria etc.

MCA Notification dated January 24, 2024

Guidelines for AIFs on Dematerialization & Custodian Appointment

SEBI has amended the SEBI (Alternative Investment Funds) Regulations, 2012, introducing crucial guidelines concerning the dematerialization of AIF investments and the mandatory appointment of custodians. Key takeaways are:

- **Mandatory Dematerialization:** October 01, 2024 onwards, all investments made by AIFs shall be in dematerialised form except for the investments made prior to this date, under specific conditions.
- **Appointment of Custodians:** Appointment of custodians for the safekeeping of AIF securities is now mandatory.
- **Reporting of Investments:** Standard specified for reporting data on AIF investments that are under custody.

Circular No. SEBI/HO/AFD/PoD/CIR/2024/5 dated January 12, 2024

Revised Foreign Investment Rules for Alternative Investment Funds

SEBI has issued a circular addressing foreign investment in AIFs, outlining revisions in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. The key aspects are:

- **Revised Conditions for AIF Investors:** The Investors or their beneficial owners must not be listed in the sanctions list by the United Nations Security Council, nor should not be resident of the countries identified by FATF as having strategies deficiencies in anti-money laundering or combating financing of terrorism.
- **Implications for Existing Investors:** AIF managers are prohibited from accepting further capital contributions from these investors who fails to meet these revised conditions.

The circular is effective immediately, emphasizing the urgency of compliance with the revised regulations. AIFs are expected to align their operations promptly with the new guidelines to avoid regulatory repercussions

Circular No. SEBI/HO/AFD/PoD1/CIR/2024/2 dated January 11, 2024

Leveraging technology to streamline internal compliance monitoring function

An assessment of the existing compliance monitoring system in banks, non-banking financial companies, housing finance companies and financial institutions was undertaken by RBI. It was observed that still are significant manual intervention as regards

Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024

Amendments in guidelines for AIFs on Dematerialization & Custodian Appointment

SEBI revises Foreign Investment Rules for Alternative Investment Funds

technology usage. RBI has now mandated such entities to review and revamp the existing compliance tracking and monitoring systems or implement new systems by June 30, 2024.

Notification No. RBI/2023-24/117 DoS. CO.CSITEG.SEC.No.9/31-01-015/2023-24 dated January 31, 2024

OFS of shares to employees

Existing procedure of OFS to employees of eligible companies is not through the stock exchange mechanism. Given that the procedure is time consuming, involves additional costs and multiple activities, a more efficient and comprehensive framework on OFS through the stock exchange mechanism is now additionally permitted. Detailed procedures have been laid down in this regard and all recognised stock exchanges and clearing corporations have been advised to make necessary arrangements for implementation.

Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/6 dated January 23, 2024

CFO WATCH

SEBI extends deadline for clarification on market rumour by listed entities

Restrictions on RE investments in AIFs to prevent evergreening

FAQs on framework for acceptance of green deposits

SEBI extends deadline for clarification on market rumour by listed entities

Originally set for February 1, 2024 for the top 100 listed entities and August 1, 2024 for the top 250, SEBI extended the deadline for the implementation of the rule on verifying market rumours for top companies. The new timeline notified is June 1, 2024 and December 1, 2024, for top 100 and 250 listed entities respectively. The extension is due to ongoing industry standard finalization and necessary amendments to LODR regulations.

Restrictions on RE investments in AIFs to prevent evergreening

RBI prohibits REs from investing in AIF schemes with downstream investments in debtor companies of the RE. If such downstream investments occur, REs must liquidate within 30 days or make a 100 per cent provision. Additionally, investments in subordinated units of AIFs with a 'priority distribution model' will be fully deducted from the RE's capital fund. These measures aim to prevent indirect exposure and enhance transparency in RE investments through AIFs.

FAQs on framework for acceptance of green deposits

RBI has issued FAQs for clarity w.r.t. green bonds. While not mandatory, compliance is needed if REs raise green deposits in Indian Rupee. REs can engage agencies for external review, and unallocated proceeds can be temporarily invested in liquid instruments. Banks can offer overdrafts against green deposits, and foreign banks may have a common global policy aligned with RBI's framework.

ISSB issues amendments to SASB standards

ISSB notifies amendments to SASB standards, vital for investor-oriented sustainability disclosure to align with IFRS. Changes by ISSB enhance global applicability, allowing universal adoption and facilitating IFRS S1 implementation. Amendments involve replacing jurisdiction-specific terms, providing general descriptions, permitting jurisdictional law use and eliminating unsuitable metrics.

MERGERS & ACQUISITIONS

AI and M&A: A Symbiotic Partnership for Deal-Making

The world of M&A is undergoing a radical shift, driven by the relentless force of AI. In the era, where time is money, digital transformation acts as a much-needed booster to streamline operations, helping to make quicker decisions, analysing data and much more.

As per figures presented in recent Bain's report, only 16% of M&A practitioners are making use of AI as of today, and the number is expected to grow to 80% over the next three years. The early adopters primarily are large companies concluding 3-5 deals per year with the focus on sectors like technology, healthcare, and finance.

Some of the ways AI is revolutionizing M&A process are:

1. Deal Sourcing and Targeting: Screening the targets that would not be otherwise identified with traditional tools
2. Due Diligence: AI tools can scan and analyse large junk of data including financial statements, contracts, automatically flagging the key information and potential risks involved.
3. Post-merger integration: AI can analyse the results of post-merger integration and recommend future actions for continual improvement and optimization.

But the role of AI is not limited to above areas in M&A, rather AI serves as a force enhancer – boosting efficiency, optimizing document review, data mining, rapid identification, and extraction of key provisions of agreements. While AI accelerates M&A deals, privacy, cyber security, accuracy, reskilling and eliminating algorithmic bias are critical points to be considered by the deal makers. AI and tech M&A strategy are gaining momentum due to increasing competitiveness and keeping pace with technological advancements, however AI can't replace a skilled M&A practitioner in the driver's seat. M&A market will grow multi-fold once M&A practitioners learn how to use generative AI effectively to create a differentiated advantage.



NGG India Compendium launch at the Australian High Commission January 18, 2024

ASA is delighted to participate at the launch of 'Case Studies - Advocating Business Success between Australia and India' by Newland Global Group, at the Australian High Commission, New Delhi. The Compendium was released by Nicholas McCaffrey, Deputy High Commissioner of Australia to India, Catherine Gallagher, Head of Austrade, South Asia, and Minister Commercial, Michelle Wade, Commissioner - South Asia, State Government of Victoria, Anil Wadhwa, Former Indian Ambassador to Australia, Dipen Rughani, CEO, Newland Global Group, Natasha Jha Bhaskar, ED, Newland Global Group and Manisha Malhotra, Associate Director, ASA, along with other dignitaries.

Meeting with French President Emmanuel Macron - January 26, 2024

Léa Parmentier, French corridor expert at ASA, represented at the Indo-French Business Lunch and met with the delegation accompanying French President Emmanuel Macron for India's Republic Day celebrations.

Meeting President Macron and engaging in discussions with



diverse personalities highlighted the strategic synergy between our nations and also emphasized our shared ambitions in defence, space, energy, technology, and sustainable development. As we look ahead, we are genuinely excited about the boundless possibilities this enhanced partnership holds for both countries.

CA CPE Study Circle, ICAI Conference - January 05, 2024

Parveen Kumar, National Head, Assurance, Pankaj Aneja, Executive Partner, Taxation and Balmukund Chaturvedi, Associate Director, Assurance, ASA shared insights on Managing Risks and New Opportunities for Chartered

Accountants at the CA CPE Study Circle, ICAI. The session also delved into details of the new tax regime in UAE

Digital Taxation: Equalisation Levy extended to E-Commerce - January 29, 2024

Author: Sunil Arora, National Head, Taxation & Léa Parmentier, French Desk, ASA

Addressing the evolving landscape of digital commerce, the Equalisation Levy, a pivotal taxation tool, has been extended to encompass E-commerce activities. This expansion marks a significant step in ensuring fair taxation in the digital realm, aiming to bridge gaps in revenue collection and uphold fiscal equity in the era of online transactions.



GLOSSARY



AI
Artificial Intelligence

AIF
Alternate Investment Fund

AO
Assessing Officer

AY
Assessment Year

CGST
Central Goods & Services Tax

DTAA
Double Taxation Avoidance Agreement

ECB
External Commercial Borrowing

ECO
E-commerce Operator

FAQ
Frequently Asked Question

FATF
Financial Action Task Force

FTS
Fee for Technical Services

GST
Goods & Services Tax

IFRS
International Financial Reporting Standards

ISSB
International Sustainability Standards Board

LODR
Listing Obligations and Disclosure Requirements

M&A
Mergers & Acquisition

MCA
Ministry of Corporate Affairs

OFS
Offer for Sale

RBI
Reserve Bank of India

RE
Regulated Entity

SASB
Sustainability Accounting Standards Board

SCN
Show Cause Notice

SEBI
Securities and Exchange Board of India

SLP
Special Leave Petition

TDS
Tax Deducted at Source

TP
Transfer Pricing

UPI
Unified Payment Interface

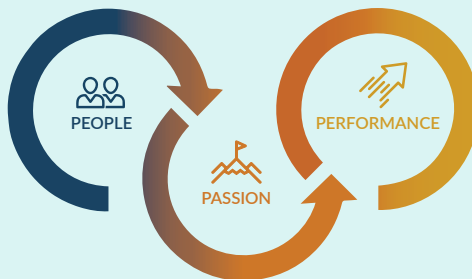
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