



**Edition 25**  
**From May 1,2023 to May 31, 2023**



## **The Scoop**

As per the NSO(National statistics Office), In Q4FY23, GDP growth is at 6.1% compared to 4.4% growth rate witnessed in Q3. .Construction, finance, trade surplus and hospitality sectors have contributed positively to GDP growth

Overall the economic growth was driven by pickup in manufacturing activity, recovery in private investment , slow down in Imports and domestic consumption .

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### **SPECIAL POINTS OF INTEREST**

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## INCOME TAX UPDATES



### 1. Guidelines for removal of difficulties under sub-section (3) of section 194BA of the Income-tax Act, 1961

- ◆ This section pertains to the deduction of income tax on winnings from online games. The circular clarifies various aspects, including the computation of net winnings, treatment of multiple user accounts, taxation of deposits, treatment of bonuses and incentives, withdrawal criteria, relaxation for insignificant withdrawals, taxation of winnings in kind, valuation of winnings, and penal consequences.
- ◆ .What if in case of multiple wallets held by a user?– each wallet shall be considered as user account. Deposit in any of these user accounts would be considered as deposit (non-taxable or taxable as per the definition in Rule 133) and withdrawal from any user accounts would be considered as withdrawal.
- ◆ Formula to compute

Net winnings = A – (B+C) where A : Amount-withdrawn ,B : Aggregate of the amount of non-taxable (only) deposit made by user during FY, till the time of withdrawal; C : Opening balance at the beginning of FY



## INCOME TAX UPDATES

- ◆ How will bonus, referral bonus, incentives etc. be treated?

It is seen that there is some incentives/bonus which is credited in user account only for the purposes of playing and they cannot be withdrawn or used for any other purposes. Rule 133 has provided that such deposit shall be ignored for calculation of net winnings. Thus they shall not be included in non-taxable deposit and they shall also not be included in opening balance or closing balance of user account. Thus, to the extent they will not be part of net winnings. However, person liable to deduct tax under section 194BA of the Act must keep separate accounts of such deposits.

Read More: <https://incometaxindia.gov.in/communications/circular/circular-5-2023.pdf>

### **2. Clarification regarding provisions relating to charitable and religious trusts**

CBDT clarifies regarding application of section 115TP for failure to apply to registration/approval, Extension of due date for furnishing of Form No. 10BD, applicability of provisional registration, denial of exemption in case where the statement of accumulation is not filed by the due date and audit report to be furnished in Form No. 10B.

- ◆ New trusts are required to apply for provisional registration/ approval at least one month prior to the commencement of the previous year relevant to the assessment year from which the said registration/approval is sought. Such provisional registration/approval is valid for a maximum period of three years.
- ◆ (Provisionally registered/approved trusts will again need to apply for regular registration/approval in Form No. 10AB at least six months prior to the expiry of the period of provisional registration/approval or within six months of the commencement of activities, whichever is earlier. This registration/approval is valid for a period of five years. On consideration of difficulties in electronic filing of Form No. 10AB, the Board in exercise of its powers under section 119 of Act **extended the due date for electronic filing of Form No. 10AB to 30.09.2022** vide Circular dated 31.03.2022.

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## INCOME TAX UPDATES

- ◆ Extension of due date for furnishing of Form No. 10BD.

In view of extension provided to funds or institutions seeking approval under sub-section (5) of section 80G of the Act, the Board also extends the due date for furnishing of statement of donation in Form No. 10BD and the certificate of donation in Form No. 10BE in respect of the donations received during the financial year 2022-23 to **30.06.2023**.

- ◆ Clarification regarding application of section 115TP for failure to apply to registration/approval

The due date for furnishing application for registration/approval by the provisionally registered/approved trusts was extended till 30.09.2022. These trusts shall be subject to tax under section 115TD of the Act in accordance with the provisions of the said section, as amended by the Finance Act, 2023 if the application is not made by 25.11.2022 or 30.09.2022, as the case may be. Representations have been received stating that several trusts have not been able to apply for registration/approval within the required time due to genuine hardship. This has also led to rejection of applications simply on the ground that these were delayed.

- ◆ It is also clarified that where trusts have missed the deadline of 25.11.2022, for making an application for registration/ approval in Form No. 10A, and have subsequently furnished Form No. 10A seeking provisional registration/approval, the relevant functionality on the e-filing portal may be used for surrendering the Form No. 10A extended period up to 30.09.2023

Read more at: <https://incometaxindia.gov.in/communications/circular/circular-6-2023.pdf>







## INCOME TAX UPDATES

### 3.CBDT releases draft rule 11UA to implement amendment by Finance Act 2023

- ◆ Clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 (the Act), prior to amendment vide Finance Act 2023, inter alia, provided that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the fair market value of the shares, it shall be chargeable to income-tax under the head 'Income from other sources' .
- ◆ Rule 11UA of the Income-tax Rules, 1962 (the Rules) provides the method for computation of the Fair Market Value of unquoted equity shares for the purposes of the Clause (viib) of sub-section (2) of section 56 of the Act. 2. In the Finance Act, 2023, an amendment was introduced in this provision to bring the consideration received from non-residents within the ambit of Clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961.
- ◆ As a result of the above amendment, representations were received from various stakeholders raising their concerns that genuine non-resident investors may have to face undue hardship in matters related to valuation of shares etc. In view of this, rule 11UA of the Rules is proposed to be amended.
- ◆ The draft notification with proposed amendment to rule 11UA of the Rules is enclosed. CBDT requested the stakeholders as well as the general public to provide suggestions/ comments on the same and send them at the email address [ustpl2@nic.in](mailto:ustpl2@nic.in) latest by 5th June, 2023.

Read More: <https://incometaxindia.gov.in/news/11ua-public-comments.pdf>



## GST UPDATES



### 1. Deferment of Implementation of Time Limit on Reporting Old e-Invoices

- ◆ It has been decided by the council to defer the imposition of time limit of 7 days on reporting old e-invoices on the e-invoice IRP portals for taxpayers with aggregate turnover greater than or equal to 100 crores by three months. In this regard, the link to the previously issued advisory dated 13th April 2023 may be referred at:

<https://www.gst.gov.in/newsandupdates/read/578>

- ◆ The next date of implementation will be shared in due course of time.

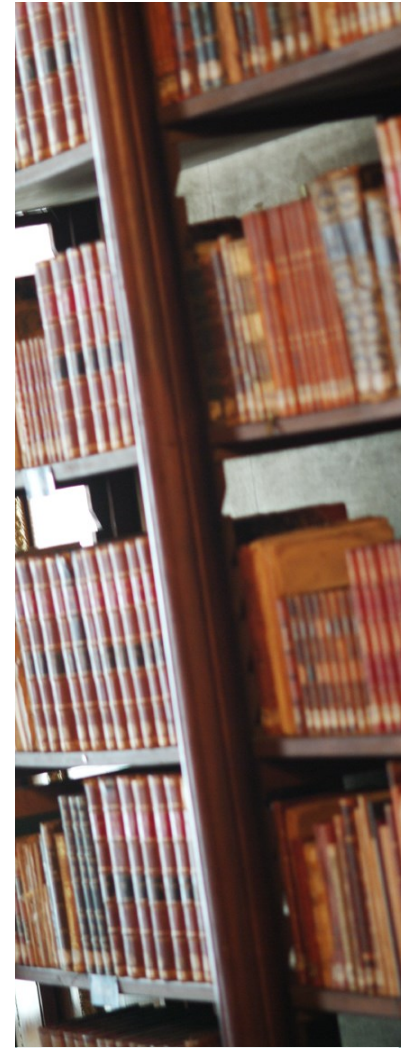
Read More: <https://www.gst.gov.in/newsandupdates/read/582>

## GST UPDATES

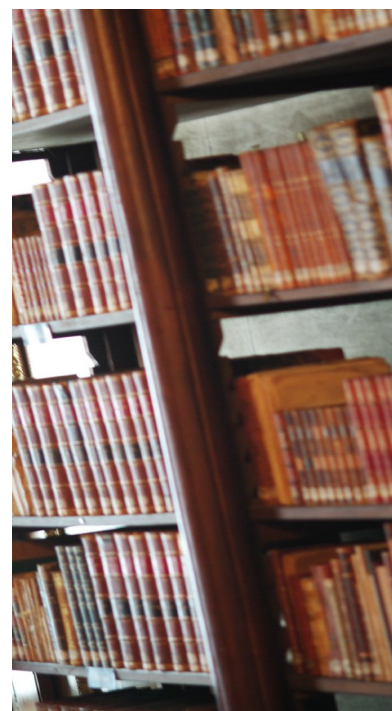
### 2. CBIC issued All India Drive against fake GST registration from 16th May'23 to 15th July'23

The authorities may visit place of your business.. Be prepared

- ◆ As per the instructions issued by the CBIC for launching All India Drive against fake GST registration starting from 16th May'23 to 15th July'23 during which the Central & the State Tax authorities might visit your business place
- ◆ GSTIN on the Name Board on the entry of registered place of business. (i) Name of firm on which GST is registered, (ii) Complete address of premises (iii) GST registration number.
- ◆ GSTIN Certificate on prominent location at registered place of business
- ◆ lease agreements/sub-lease agreements and NOC and proof of ownership (NOC/Electricity Bills/Proper Receipts)
- ◆ Aadhar Authentication
- ◆ Please keep records at each place of business like details of purchases, outward supplies, invoices and ITC.



# CORPORATE AFFAIRS UPDATES



## 1. Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2023 – Shift of Authority to process Striking Up of Companies

- ◆ MCA has amended or transferred the responsibility of striking off companies from Registrar of Companies to Registrar, Centre for Processing Accelerated Corporate Exit (a.k.a. Registrar, Centre for PACE) with effect from 1st May, 2023.
- ◆ Now, the Registrar, Centre for PACE [established under Section 396(1) of the Companies Act, 2013] shall be the Authority exercising functional jurisdiction of processing and disposing applications made in eForm STK-2 and all matters related thereto as mentioned under Section 248 having territorial jurisdiction all over India. In order to bring all the eForms related to striking up off companies in line with the said notification, eForm STK-2, eForm STK-7 and eForm STK-8 has also been substituted.

Read More: <https://www.mca.gov.in/bin/dms/getdocument?mds=aXFM3x3zIHizG%252Bdju1LKvQ%253D%253D&type=open>



## Reserve Ratios

CRR: 4.50%

SLR: 18.00%

## Exchange Rate (As on May31, 2023)

INR / 1 USD : 82.4050

INR / 1 GBP : 102.6550

INR / 1 EUR : 88.2390

INR / 100 JPY : 59.03

## RBI UPDATES



### 1.RBI penalises Rs 1.73 Crore On HSBC Bank

- ◆ The Reserve Bank of India (RBI) imposed a monetary penalty of Rs 1.73 crore on the Hongkong and Shanghai Banking Corporation Ltd (HSBC Bank) for violating the Credit Information Companies Rules, 2006.
- ◆ As per the report and all related correspondences pertaining to the same, it was discovered that the bank had breached the aforementioned rules.
- ◆ HSBC had provided inaccurate credit information on various expired credit cards with nil dues to all four Credit Information Companies.



## RBI UPDATES

### 2. GetVantage secures NBFC licence from RBI

- ◆ GetVantage, a fintech platform offering alternative financing solutions, has obtained an NBFC licence from the Reserve Bank of India (RBI). Its lending operations will be managed by its NBFC subsidiary, GetGrowth Capital.
- ◆ The platform plans to raise a total of ₹200 crore to expand its lending operations, with ₹50 crore already invested by backers such as Chiratae Ventures, InCred and Sony and DI.

### 3. RBI collaborates with GFIN to participate in 'greenwashing'

The Reserve Bank of India (RBI) has joined forces with the Global Financial Innovation Network (GFIN) to participate in the Greenwashing TechSprint. The event aims to address concerns surrounding exaggerated, misleading, or unsubstantiated claims related to environmental, social, and governance (ESG) credentials. The TechSprint will bring together 13 international regulators, firms, and innovators to develop a tool that could help regulators and the market more effectively tackle the risks of greenwashing in financial services.

### 4. RBI Cancels Certificate of Registration of 7 NBFCs and Surrender Permits of 14 NBFCs

The Reserve Bank of India (RBI) has taken significant actions in the financial sector, canceling the certificate of registration of seven non-banking finance companies (NBFCs) and accepting the surrender permits of 14 NBFCs. These moves aim to regulate and maintain the stability of the non-banking financial institution (NBFI) sector.

- \* Coorg Tea Company
- \* Trimurthi Finvest
- \* East West Finvest India
- \* J.V. Modi Securities
- \* K K Patel Finance
- \* Purvi Finvest
- \* Genfin Capital Pvt Ltd





## RBI UPDATES

In addition to the cancellations, the RBI has accepted the surrender permits of 14 NBFCs. The reasons for surrender vary among these companies:

### 1. Exit from Business:

- ◆ Lunia Trading & Investment Pvt. Ltd
- ◆ Swastik Goods and Suppliers Pvt. Ltd
- ◆ Icseva Finance Pvt. Ltd
- ◆ Gipsy Management Pvt Ltd
- ◆ Shiba Fabspin Pvt. Ltd.
- ◆ Esar Entrade Ltd
- ◆ Maba Corporate Services Pvt. Ltd

### 2. Unregistered Core Investment Company (CIC):

- ◆ L&T Infrastructure Development Projects Limited
- ◆ Josan Deposits and Advances Limited

### 3. Ceasing to be a Legal Entity:

- ◆ Melinex Investment and Finance Pvt. Ltd
- ◆ Casablanca Broking & Agency Pvt. Ltd
- ◆ Janpragati Syntex Pvt Ltd
- ◆ Nalimbur Mercantile Pvt Ltd
- ◆ Wondermax Mercantile Pvt Ltd



## OTHER NEWS UPDATES

- ◆ **Visa Launches CVV-Free Payments for Tokenised Cards in India:** Visa, the global card transaction company, has launched a new feature in India that allows users to make online payments without the need for a CVV number. The feature applies to tokenised credit and debit cards and is only available for domestic transactions in India.
- ◆ **Reserve Bank's gold reserves rose 4.5% to 794.64 tonnes in 2022-23:** The Reserve Bank of India (RBI) has increased its gold reserves by 4.5% to 794.64 metric tonnes in the fiscal year that ended on March 31, 2023. The bank added 34.22 metric tonnes of gold during this period, which brought its total gold reserves up from 760.42 metric tonnes at the end of the previous fiscal year.
- ◆ **BharatPe rebrands PAYBACK India as 'Zillion':** BharatPe, a leading fintech company in India, has announced the rebranding of PAYBACK India, the country's largest multi-brand loyalty program, as 'Zillion.' This move aligns with the company's vision to make Zillion a ubiquitous loyalty and rewards program across the nation.
- ◆ **Google Pay Introduces Support for RuPay Credit Cards on UPI, Expanding Digital Payment Options:** Google Pay, in collaboration with the National Payments Corporation of India (NPCI), has announced the integration of RuPay credit cards onto the Unified Payments Interface (UPI) platform. This new feature allows users to link their RuPay credit cards with Google Pay, enabling them to make payments at both online and offline merchants that accept RuPay credit cards.
- ◆ **Paytm Money Launches Bonds Platform for Retail Investors:** This new platform aims to provide investors with a comprehensive and user-friendly interface to invest in government, corporate, and tax-free bonds.
- ◆ **Export lender Exim Bank Plans to Raise Record \$4 Billion in FY24:** Export Import Bank of India, commonly known as Exim Bank, plans to raise up to a record \$4 billion in financial year 2023-24 (FY24) for extending trade finance and term loans. The amount will depend on market conditions and Exim, which raised \$3.47 billion in FY23





## INTERNATIONAL NEWS UPDATES

- ◆ **JPMorgan Acquires First Republic Bank Amidst Recent Failures of Major US Banks:** JPMorgan is set to acquire \$173 billion in loans and around \$30 billion in securities, which includes \$92 billion in deposits from First Republic Bank, but they are not taking on the bank's corporate debt or preferred stock.
- ◆ **World Bank Approves \$82 Million Loan For Controlling Zoonotic Diseases in India:** The World Bank's Board of Executive Directors has approved an \$82 million loan to support India's efforts in adopting global best practices for animal health management. The loan aims to prevent, detect, and respond to endemic zoonotic, transboundary, and emerging infectious diseases, recognizing the interconnectedness of people, animals, and the environment.
- ◆ **US inflation below 5% for first time in two years:** Prices for milk, airline tickets and new cars fell in the US last month, helping drive inflation to its lowest rate in two years. The fall comes after the US central bank has sharply raised interest rates to try to control inflation.
- ◆ **Germany falls into recession as inflation hits economy:** Germany's inflation rate stood at 7.2% in April, above the euro area's average but below the UK's 8.7%. Higher prices have weighed on household spending on things such as food, clothing and furniture. Industrial orders are also weaker, reflecting the impact of higher energy prices on businesses.
- ◆ **Singapore's crypto ambitions shaken by FTX collapse:** FTX, which a year ago was valued at \$32bn, filed for bankruptcy protection in November. It has been estimated that \$8bn of customer's funds was missing. For Singapore, the FTX collapse was particularly shocking. Its state investment fund Temasek had invested in the exchange, pumping in \$275m over several months.
- ◆ **Nvidia becomes first chipmaker valued at over \$1 trillion:** Nvidia Corp breached the \$1 trillion in market capitalization making it the first chipmaker to join the trillion-dollar club. The gaming and AI chip company, whose shares rose 4.2% in early trading on Tuesday, was valued at \$1 trillion.  
Taiwan Semiconductor Manufacturing Co Ltd is the next largest chipmaker globally, valued at about \$535 billion.



CA NAVISH NAGPAL  
(B.com, FCA, DISA,  
IFRS)



## EXPERT SPEAK

### Amendments in “Angel Tax”

#### 1. Announcement by Government

CBDT proposed amendments to Rule 11UA regarding the valuation of shares for the purpose of section 56(2)(viib) of the Income-tax Act, 1961. These changes aim to address concerns surrounding the applicability of Tax Collection at Source (TCS) on shares issued to non-residents.

#### 2. Intent

Currently, Rule 11UA prescribes two valuation methods, namely Discounted Cash Flow (DCF) and Net Asset Value (NAV), for resident investors. The government intends to include five additional valuation methods specifically for non-resident investors, in addition to the existing DCF and NAV methods.

#### 3. Background:

- \* Section 56(2)(viib) (popularly known as Angel Tax) was inserted via Finance Act, 2012. The objective of introducing the section was to deter the generation and use of unaccounted money done through subscription of shares of a closely held company (CHC), at a value which is higher than the Fair Market Value (FMV) of shares of such company.
- \* The phrase ‘angel tax’ is essentially used to describe the tax that must be paid on the funds raised by unlisted companies through the issuance of shares in off-market transactions, if they exceed the fair market value of the company.

#### 4. Cautions & Impact

This means that if the consideration for shares exceeds their fair market value (FMV), it becomes taxable under "Income from other sources."

- α) the valuation report prepared by a Merchant Banker will be considered acceptable if it is not older than ninety days from the date of issuing the shares being evaluated. This ensures the relevance and accuracy of the valuation.
- β) Also, a safe harbor of 10 percent variation in value is introduced. This will accommodate potential fluctuations, bidding processes, and variations in economic indicators



## EXPERT PANEL



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