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TAXATION TIMES

June 2021

Taxation Times is a monthly newsletter published by UJA specifically with an intent and object to simplify and provide clarity on certain provisions of the Income Tax Act, discuss the implications of various amendments and circulars notified time and again, understand the judicial precedents as decided by various courts and interpret these.

The Taxation Times is an initiative to keep you abreast with the latest development in the realm of the Direct Taxes in India.

Contents

Introduction

The G7 tax agreement which proposes a 15% global minimum tax rate on multinational companies such as Google, Facebook, Apple & Amazon has been in news since the last few weeks. This move could help raise hundreds of billions of dollars to help government cope with the aftermath of COVID-19. This historic reform is fit for the global digital age and companies will now have to make taxes in the countries where they make sales.

The G-20 countries which are scheduled to meet in July 2021, are expected to deliberate, intensively debate and negotiate upon the G7 tax proposals. Every nation will have to critically evaluate these proposals, understand it's impact on the exchequer before unanimously consenting to these proposals.

Convincing all the countries and expecting a unanimous consent to the tax proposals put forth by the G7 countries seems to be quite challenging and a herculean task. Possibly, this deal may take years to negotiate and conclude.

Back to India, the Budget 2021 introduced two new sections effective 1st July 2021 – s. 194Q and s. 206AB. These sections aim to widen the tax base and would increase the compliance burden on taxpayers. The government is taking all the initiatives and necessary steps to ensure transparency in the taxation system in India.

Coming to this months Taxation Times, we've included :

- A detailed analysis of s. 194Q vis-à-vis conflicting provisions of s. 206C(1H) and a brief about 'Significant Economic Presence' (SEP) and it's possible impact;
- Case laws from the High Courts & Tribunals
- Tax News from around the world.
- Circulars & Notifications for the month of June 2021
- Upcoming compliances for July 2021

We hope that you find this edition of the Taxation Times useful. Incase you have any feedback or need us to include any information to make this issue more informative, please feel free to write to us at info@uja.in

Happy Reading!

Best Regards,
UJA Tax Team

Analysis of Section 194Q – Deduction of TDS on Purchases

Finance Act 2020 had introduced s. 206C(1H) by virtue of which tax is required to be collected at source by a seller. This section was made applicable w.e.f 1st October 2020.

Subsequently, with an intent to further widen the tax base, the Finance Act 2021 has introduced new section 194Q effective 1st July 2021.

Provisions of s. 194Q:

1. s. 194Q is applicable to those buyers, ***whose total sales, gross receipts or turnover*** from the business carried on by him ***exceed INR 10 crores in the financial year ('FY') immediately preceding the financial year*** in which the purchase of goods is made.
2. Tax is to be deducted at source on purchase of goods from a seller who is a ***resident*** in India. The rate of tax is ***0.1% of such sum exceeding INR 50 lacs in the financial year***.
3. If the seller ***does not have a PAN***, tax at a ***higher rate of 5%*** is required to be deducted.
4. Liability to deduct tax arises at the time of ***credit or payment whichever is earlier*** and would include any sum credited to ***any account***, whether called by the name ***'suspense account'*** or any other name.
5. s. 194Q is applicable only incase of purchase of ***goods.*** Therefore, the limit of INR 50 lacs for a FY needs to be considered only with regard to purchase of goods.
6. s. 194Q does ***not apply*** to a transaction where:
   a. tax is deductible under any of the provisions of this Act; and
   b. tax is collectible under the provisions of s. 206C other than a transaction to which s. 206C (1H) applies.

Illustration on applicability of s. 194Q

Seller	Purchases made before 1st July 2021	Purchases made after 1st July 2021	Amount on which s. 194Q shall apply
A	INR 50 lacs	INR 20 Lacs	INR 20 lacs
B	INR 20 lacs	INR 50 lacs	INR 20 lacs
C	INR 30 lacs	-	-
D	INR 40 lacs	INR 30 lacs	INR 20 lacs
E	-	INR 45 lacs	-
F	INR 70 lacs	-	-
G	-	INR 70 lacs	INR 20 lacs

Interplay between 194Q and 206C(1H) of the Income Tax Act 1961

With the introduction of s. 194Q, there are two sections which deal on the same transaction of sale/ purchase above INR 50 lacs from a party whose turnover, sales or gross receipts in the previous FY exceed INR 10 crores :

a. TDS under s. 194Q : Deduction of TDS at 0.10% on purchases made in excess of INR 50 lacs;

b. TDS under s. 206C(1H) : Collection of TCS at 0.10% on sales made in excess of INR 50 lacs.

In order eliminate the overlapping of the provisions of s. 194Q and s. 206C(1H), exclusions have been provided for in s. 194Q :

- Tax is deductible under any of the provisions of this Act; and
- Tax is collectible under the provisions of s. 206C other than a transaction to which s. 206C(1H) applies.

Thus, s. 194Q shall be applicable when - tax is deductible under any of the provisions of the Act and tax is collectable under provisions of s. 206C other than s. 206C(1H) i.e provisions under s. 194Q shall continue to apply to those transactions to which s. 206C(1H) is also applicable.

However, here it is pertinent to draw attention to the second proviso of s. 206C(1H) which states as under :

"Provided further that the provisions of this sub section shall not apply, if the buyer is liable to deduct tax at source under any other provisions of this Act on the goods purchased by him from the seller and has deducted such amount".

Therefore, from the reading of the aforesaid proviso, it becomes explicitly clear that if provisions of s. 194Q become applicable, TCS is not required to be collected under s. 206C(1H). However, if the buyer is liable to deduct TDS under s. 194Q and fails to do so, in that case tax is required to be collected under s. 206C(1H).

Here, it is also pertinent to note that if the turnover of the seller exceeds INR 10 crores in the previous FY and the turnover of buyer does not exceed INR 10 cores in the previous FY (i.e the provisions of s, 194Q are not applicable to the buyer), the seller is responsible to collect taxes by virtue of s. 206C(1H).

Illustration on applicability of s. 194Q vis – a – vis 206C(1H)

Situation	Turnover of Seller in previous FY	Turnover of Buyer in previous FY	Which provision applicable?
A	INR 50 crores	INR 9 crores	206C(1H)
B	INR 9 crores	INR 50 crores	194Q
C	INR 50 crores	INR 50 crores	s. 194Q is applicable. However, if buyer fails to deduct TDS under s. 194Q, the seller is required to collect tax under s. 206C(1H)

Comparative Analysis of s. 194Q and s. 206C(1H)

Particulars	194Q	206C(1H)
Purpose	Tax deducted	Tax collected
Applicable to	Buyer of Goods	Seller of Good
Effective from	1st July 2021	1st October 2020
When applicable	When the turnover, sales or gross receipts of the buyer exceed INR 10 crores in the previous FY	When the turnover, sales or gross receipts of the seller exceed INR 10 crores in the previous FY
Threshold limit per FY	INR 50 lacs	INR 50 lacs
Rate of TDS (PAN Available)	0.1%	0.1%
Rate of TDS (PAN Not Available)	5%	1%
Time of Applicability	Payment or credit, whichever is earlier	At the time of receipt of consideration (including receipt of advance)
Date of Deposit	TDS to be deposited with the government by the 7th day of the subsequent month	TCS to be deposited with the government by the 7th day of the subsequent month

Points to Note:

1. TDS is required to be deducted at the rate of 0.1% incase under s. 194Q for purchases made in excess of INR 50 lacs if the seller has furnished his PAN. However, in the absence of PAN, TDS shall be deducted at a higher rate of 5%. However, here it is to be noted that s. 206AB has also been inserted w.e.f 1st July 2021 vide Finance Act 2021. TDS rate of 0.1% are applicable only if provisions of s. 206AB are satisfied.

2. S. 206AB of the Income Tax Act 1961 - The Finance Act 2021 has introduced s. 206AB wherein a payer is required to deduct TDS at a higher rate, if the recipient has not filed his return of income for two assessment years prior to the year in which TDS is required to be deducted. Also, the time limit specified under s. 139(1) should be elapsed. TDS rate shall be higher of –
   - Twice the rate specified in the relevant provisions of the Income Tax Aact; or
   - Twice the rates in force; or
   - Rate of five percent.

   Therefore, when the seller fails to furnish his return of income for two previous assessment years, buyer shall deduct TDS at rates specified under s. 206AB.

3. A buyer is responsible to deduct tax under s. 194Q of the Income Tax Act 1961 only when the payments are made in respect of purchases made from a resident seller. If the seller is a non – resident, no obligation to deduct TDS arises.

4. The Income Tax Act 1961 does define 'goods'. However, under the Sale of Goods Act, 1930 *goods are every kind of movable property including stocks & shares, crops, grass and other things attached to land but excludes actionable claims and money.*

5. TDS under s. 194Q is required to be deducted in respect of purchases made in respect of any kind of 'goods'. Accordingly, the buyer is required to deduct TDS in respect of purchases made of 'capital goods' as well.

6. Currently, s. 194Q is applicable only incase sale of goods and services are presently out of it's ambit. Therefore, the threshold limit of INR 50 lacs for each financial year is to be considered only with reference to goods purchased.

Significant Economic Presence : Widened Tax Scope for Non – Residents

For a very long time, nexus based on physical presence was used to tax the income of non – residents. However, owing to advancement in communication & technology, new business models operating remotely through digital mediums have emerged. Under such business models, non – resident enterprises interact with customers located in different countries without any physical presence in that country which results in the avoidance of taxes in the source country. To address this challenge, the OECD under it's BEPS Action Plan 1 introduced the concept of Significant Economic Presence' (SEP) under which a non – resident would create taxability in that country in which he had sustained or continuous interaction with the aid of technology & other automated tools.

In line with this background, the Finance Act 2018 enlarged the scope "Business Connection" to include the concept of "Significant Economic Presence". However, since the threshold limits had not been specified, the concept of SEP had remained inoperative.

As per Explanation 2A to s. 9(1)(i) SEP means:

a. Revenue - Linked : Transaction in respect of any goods, services, or property carried on by a non – resident with any person in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the prescribed threshold limits as may be prescribed; or

b. User – Linked : Systematic and continuous soliciting of business activities or engaging in interaction with number of users in India as may be prescribed.

Income attributable to services referred to in (a) and (b) shall be deemed to accrue or arise in India.

SEP will arise irrespective of whether:

I. The agreement for such transactions or activities is entered in India; or

ii. The non – resident has a residence or place of business in India; or

iii. The non – resident renders services in India.

Income attributable to transactions referred to in clause (a) and (b) above also include income from the following:

- Advertisements which target a customer who resides in India or who accesses an advertisement through an internet protocol (IP) address located in India.
- Sale of data collected from a person who resides in India or who uses an IP address located in India.
- Sale of goods or services using data collected from a person who resides in India or who uses an IP address located in India.

The CBDT vide notification dtd. 3rd May 2021 has prescribed the threshold limits for non – residents to constitute SEP in India.

- Revenue - Linked : Threshold limit of INR 2 million
- User - Linked : Threshold limit of 3,00,000 Indian users.

These provisions become applicable from AY 2022 – 2023 (FY 2021 – 2022) onwards.

Though, the threshold limits have been notified, guidelines are awaited from the government in connection to practical aspects.

The concept of SEP is similar to the concept of Permanent Establishment (PE) which forms a part of Double Taxation Avoidance Agreements (DTAA). However, since SEP is governed by the provisions of the Indian Income Tax Laws, non – residents will have option to rely on the provisions of the DTAA if those are more beneficial. Thus, the concept of SEP will not hold relevant for most non – residents with whom India has signed DTAA's.

At the time of introduction of SEP in 2018, the government had stated that this proposed amendment will enable India to negotiate for inclusion of the new nexus rule in the form of 'significant economic presence' in DTAAs and had also clarified that unless the corresponding modifications to PE Rules are made in the DTAAs, cross border profits will continue to be taxed as per the prevailing treaty rules.

Apart from this, the interplay between the provisions of Equalization Levy (EL) and SEP also need to be accurately considered.

Case Law

Depreciation can be claimed on plant and machinery even when the asset is installed and ready to use but not put to use in business.

Facts

The taxpayer[1] is engaged in the business of manufacture of components, sub assembly for motors and tools etc. The taxpayers case was selected for scrutiny for AY 2013 – 2014 & addition was made to the returned income disallowing expenses relatable to exempt income under s. 14A of the Income Tax Act 1961 ('ITA') and disallowance of depreciation claimed on plant and machinery on the ground that assets were not put to use in the business of the taxpayer for the relevant AY.

The taxpayer had various additions to plant and machinery and the same were installed before 30th March 2013. The taxpayer has claimed depreciation as per the provisions of section 32 of the ITA and further, wherever assets were put to use for less than 182 days, the taxpayer has claimed half of actual depreciation allowable as per the ITA. The Ld. Assessing Officer ('AO') has disallowed depreciation claimed on plant and machinery on the ground that although plant and machinery was installed and commissioned before 30.03.2013, but the same has not been put to use in the business of the taxpayer. Therefore, claim of depreciation cannot be allowed unless the assets are put to use in the business of the taxpayer for the relevant assessment year. To come to said conclusion, the AO has relied upon production of finished goods furnished by the taxpayer and argued that in one day such a huge quantity of finished goods cannot be produced. He has also held that assets were not in fact, put to use in the business and hence rejected the depreciation claim on said plant and machinery.

The Hon'ble CIT(A) deleted the additions made by the Ld. AO. Aggrieved by the order of the Ld. CIT(A), the Revenue has preferred this appeal before the Hon'ble ITAT.

Issue

Can depreciation be claimed on plant and machinery which is installed and commissioned before the end of the AY but not put to use?

Decision

1. The Ld. CIT(A) relied on the decision of the Hon'ble Madras High Court in the case of Chennai Petroleum Corporation Ltd.[2] and the Hon'ble Bombay High Court in the case of Whittle Anderson Ltd[3] on the ground that where machinery is ready for use though actually not used, depreciation is admissible.

2. The Ld. Departmental Representative (DR) on behalf of the Revenue has submitted that the CIT(A) has erred in deleting the disallowance of depreciation though it was not established that plant & machinery have been put to use during the relevant previous year.

3. The Ld. Authorised Representative (AR) on behalf of the taxpayer submitted that the taxpayer had placed on record all evidences to prove that the plant and machinery was put to use in the business of the taxpayer and based on these evidences, the Ld. CIT(A) was correct in deleting the disallowance made by the Ld. AO. The taxpayer had placed on record plant and machinery installation report, as per which the plant and machinery was installed on 30.03.2013 and the same was put to use for production of finished goods. The taxpayer has also placed on record finished goods produced from the plant & machinery installed and commenced. Therefore, the AO merely on the basis of surmises and conjectures has concluded that although plant & machinery was installed, the same was not put to use.

4. The Hon'ble ITAT held that on the basis of the commissioning report of the plant & machinery placed on record, it is quite evident that the plant and machinery were acquired and installed before the end of the financial year. In fact, the taxpayer also submitted on record production details of finished goods from the newly installed plant & machinery. On the basis of the evidences placed on record, it is understood that the AO has erred in disallowing depreciation on plant & machinery on the assumption and surmises that in one day so many single units cannot be produced and the same is not based on any facts & figures. The ITAT has taken the view that depreciation claimed on plant & machinery which was installed and put to use in the business of the taxpayer cannot be denied. Further, suppose assuming that the asset has not been put to use but ready to use in the

1 DCIT V/s Agile Electric Sub Assembly (P) Ltd (2021) 127 taxmann.com 541 (Chennai – Trib)

2 *CIT* v. *Chennai Petroleum Corpn. Ltd*. [2013] 37 taxmann.com 332/218 Taxman 228/358 ITR 314 (Mad.)

3 *Whittle Anderson Ltd*. v. *CIT* [1971] 79 ITR 613 (Bom.)

business for the relevant assessment year, the claim of depreciation can be allowed. Therefore, the finings of the CIT(A) deleting the disallowance of depreciation made by the AO are upheld.

When the taxpayer had made a provision for warranty made on the basis of machine months, then such provision for warranty is on a scientific basis and method and impugned provision towards such warranty is to be allowed.

When the taxpayer had paid a market support fee and transition support fee for carrying on business efficiently, such expenditure is revenue in nature and to be allowed under s. 37(1) of the Income Tax Act 1961.

Facts

The taxpayer[4], a wholly owned subsidiary of Lenevo Asia Specific Limited, Hong Kong is a company engaged in the business of manufacture, import, marketing, distribution and export of information technology systems. The taxpayer filed an original return of income for AY 2007 – 2008 and subsequently a revised return of income was filed. The case of the taxpayer was selected for scrutiny and the Ld. Assessing Officer (AO) disallowed a provision for warranty made by the taxpayer on the ground that the estimate with regard to provision for warranty has not been made on a reliable basis but on an adhoc basis & therefore it is a contingent and unascertained liability. The Ld. AO also held that market support fee and transition support fee incurred for smooth carrying of business is of enduring nature and hence the same is capital in nature and therefore needs to be disallowed.

The Ld. Commissioner of Appeals [CIT(A)] affirmed the order passed by the AO. Thereafter, the taxpayer approached the Income Tax Appellate Tribunal (ITAT) which allowed both the claims of the taxpayer.

Issue

1. Can the provision for warranty made by the taxpayer on the basis of machine hours be allowed as a deduction under s. 37(1) of the Income Tax Act 1961 (ITA)?
2. Are the market support fees and transition support fee paid by the taxpayer in the nature of revenue expenditure or capital expenditure?

Contentions by the Sr. Counsel for the taxpayer & revenue :

1. The Hon'ble ITAT had allowed the claim of the taxpayer on account of provision for warranty placing reliance on the decision of the Hon'ble Supreme Court in the case of Rotork Controls India (P) Ltd[5] and the decision by the Tribunal in the case of the taxpayer for AY 2011 – 2012 holding that the provision for warranty is on a scientific basis and hence allowed. The ITAT also held that market support fees and transition support fee is an expenditure under s. 37(1) of the ITA.
2. The Ld. Counsel for the revenue before the High Court stated that the AO and CIT(A) has rightly disallowed the provision made for warranty in excess of which was actually incurred by the taxpayer. The Hon'ble Tribunal has not appreciated the fact that the provision for warranty made by the taxpayer is excessive and irrational and data relied upon by the taxpayer was maintained by IBM which was not relevant in the Indian context. Also, the Hon'ble ITAT has erred in applying the decision of the Supreme Court in the case of Rotork Controls (P) Ltd to the present case. Further, the market support fee and transition support fee has been incurred with a view to acquire an enduring benefit for it's business and therefore such expenditure is capital in nature and hence should not be allowed under s. 37(1) of the ITA.
3. The Ld. Counsel for the taxpayer submitted that the Hon'ble ITAT being the last fact-finding authority has correctly recorded that provision for warranty made by the taxpayer is on a scientific basis and the pre-requisites laid down in Rotork Controls (P) Ltd have been fulfilled by the taxpayer.

   Also, the marketing fee and support transaction fee which has been incurred for maintaining operating revenue is rightly treated as operating revenue. The nature & test of enduring benefit is not the sole criteria to determine the nature and character of an expenditure. It was also pointed out at the Tribunal has allowed the similar expenditure in the case of the taxpayer for AY 2006 – 2007.

4 *PCIT, Bangalore V/s Lenevo India (P) Ltd [2021] 127 taxmann.com 487 (Karnataka)*

5 *Rotork Controls India (P.) Ltd.* v. *CIT* [2009] 180 Taxman 422/314 ITR 62 (SC)

Decision

1. The Hon'ble High Court observed that the Hon'ble Supreme Court that in the case of Rotork Controls (P) Ltd, three tests for permitting claim for deduction on account of provision for warranty viz. (*i*) the assessee has to establish that there is a present obligation on account of past event, (*ii*) working out the probable estimate of the outflow of resources required and (*iii*) assessee has to substantiate the reliability of such estimate. The Tribunal has relied on the order passed in the taxpayers own case for AY 2011 – 12. And has held that the taxpayer had taken over the business from IBM which had substantial experience in such business and if the taxpayer has relied on the methodology adopted by the IBM for working out the warranty provision, the same cannot be said to be incorrect. The taxpayer had made a provision for warranty based on machine months and the said method cannot be held to be not scientific.

The taxpayer has fulfilled the conditions laid down in Rotork Controls (P) Ltd & the Hon'ble ITAT has recorded a finding that the provision for warranty made by the taxpayer is on a scientific basis and has allowed the claim for deduction on account of warranty made by the taxpayer made on scientific basis. The aforesaid finding has not been demonstrated as perverse by the Ld. Counsel for the Revenue. Thus, the Hon'ble ITAT has rightly relied on the decision in the case of Rotork Controls (P) Ltd. A similar finding has also been taken in the case of IBM Limited[6].

2. The Hon'ble High Court observed that in the case of market support fee and transaction support fee paid, the Tribunal has relied on the decision in the case of the taxpayer itself for AY 2007 – 07 and AY 2008 – 09 wherein the ITAT had taken into account market support services to be delivered by IBM to the taxpayer to facilitate sale of products by the taxpayer and to extend services to the customer to one or more subsidiaries or third parties under contract with the seller/IBM or one of its subsidiaries. Thus, the tribunal has held that the services rendered by the IBM are for smooth carrying of business for a period of five years and it might give an enduring benefit to the taxpayer but every activity which gives an enduring benefit to the taxpayer would not get the character of capital in nature. It was further held that enduring benefit is not the only criteria to decide the nature and character of expenditure. The necessary test is whether it is for acquisition of any capital asset or for the purpose of carrying on the business deriving revenue from it. Therefore, it has been held that the fees paid by the taxpayer for marketing support services rendered by IBM is revenue in nature and is allowable under section 37 of the ITA. In *CIT, T.N.* the Supreme Court has held that in order to ascertain whether the expenditure is revenue or capital in nature one has to look at the expenditure from commercial point of view and even saving in expenditure was held to be saving in revenue expenditure. In respect of the expenditure incurred by the assessee for getting marketing support services, the assessee cannot claim any depreciation. It has further been held in *Empire Jute Co. Ltd.*[7] that test of enduring benefit is not a certain or conclusive test and it cannot be applied blindly and mechanically without regard to particular facts and circumstances of a given case. Therefore, in the fact situation of the case, the tribunal has rightly allowed the expenditure incurred towards marketing support fee and transit support fee under section 37(1) of the Act.

6 *CIT* v. *IBM India Ltd.* [2014] 43 taxmann.com 470/[2013] 357 ITR 88 (Kar.)

7 *Empire Jute Co. Ltd.* v. *CIT* [1980] 124 ITR 3 (SC)

Tax in the News

Appointment of a nodal officer could create a permanent establishment for these digital giants in India and has huge tax impact from paying a 6 per

https://cfo.economictimes.indiatimes.com/news/tech-giants-may-face-higher-taxes-on-domestic-business/83710119

CNBC looks at where statutory tax rates are highest and lowest around the world

https://www.cnbc.com/2021/06/07/charts-show-highest-and-lowest-corporate-tax-rates-around-the-world.html

Air India has time till mid-July to challenge the lawsuit filed by Britain's Cairn Energy PLC demanding that a US federal court force the airline to pay a USD 1.26 billion arbitration award it had won against the Indian government in December last year, sources said

https://cfo.economictimes.indiatimes.com/news/air-india-has-time-till-mid-july-to-challenge-cairn-lawsuit/83685913

G7 finance ministers reached a momentous agreement on June 5 on a global corporate minimum tax and changes to the allocation of taxing rights between nations. The specific details of this agreement will be the presumptive starting point for negotiations in July.

https://mnetax.com/g7-tax-breakthrough-sets-stage-for-g20-talks-in-july-issues-remain-44548

The European Commission will propose legislation to implement an international agreement on a global minimum corporate tax to ensure its uniform application within the EU, according to June 14 comments from European Commissioner for Economy Paolo Gentiloni.

https://mnetax.com/eu-will-propose-minimum-tax-legislation-if-g20-reaches-deal-commissioner-says-44638

How will the European Commission define shell companies to stop tax avoidance?

https://mnetax.com/how-will-the-european-commission-define-shell-companies-to-stop-tax-avoidance-44528

For developing countries like India, the agreement reached by the G7 Finance Ministers on June 5 on proposed changes to international tax rules under “pillar one” and “pillar two” may bring little in terms of new tax revenue while imposing new restrictions on tax sovereignty.

https://mnetax.com/india-has-little-to-gain-under-g7-tax-agreement-44629

Circulars, Notifications & Press Release

A. Circulars:

To ease the compliance burden on the deductors and collectors of tax from the Non-filers of Income Tax Returns as specified in section 206AB and 206CCA w.e.f. 1st July 2021, the CBDT has introduced 'Compliance Check for section 206AB and 206CCA' on reporting portal of Income Tax Department.

https://www.incometaxindia.gov.in/communications/circular/circular_11_2021.pdf

The CBDT notifies '317' as Cost of Inflation Index (CII) for FY 2021-22.

https://www.incometaxindia.gov.in/communications/notification/notification_73_2021.pdf

On consideration of genuine hardship being faced by the taxpayers in making various compliances under the Income-tax Act. 1961, in view of severe pandemic, the Central Board of Direct Taxes (CBDT) has provided relaxation in respect of the certain compliances:

https://www.incometaxindia.gov.in/communications/circular/circular_no_12_2021.pdf

The Central Government has further extended time limit under Vivad se Vishwas Act, 2020 for filing declaration and payment of amount as per VSV Scheme.

https://www.incometaxindia.gov.in/communications/notification/notification_85_2020.pdf

B. Notifications:

Central Government approves 'IIT - Bhilai' under category of *'University, College or Other institutions…'* for section 35(1)(ii) & (iii) which means any payment made to IIT – Bhilai for conducting any Scientific Research and Research in Social Science and Statistical Research will be eligible for deduction u/s 35.

https://www.incometaxindia.gov.in/communications/notification/notification_70_2021.pdf

C. Press Release

In view of the difficulties reported by taxpayers in electronic filing of Income Tax Forms 15CA/ 15CB on the new portal www.incometax.gov.in, the taxpayers can submit the aforesaid Forms in manual format to the authorized dealers till June 30th, 2021.

https://pib.gov.in/PressReleasePage.aspx?PRID=1727001

Upcoming Compliances for July 2021

7 July 2021

Due date for deposit of Tax deducted/ collected for the month of June, 2021.

Due date for deposit of TDS for the period April 2021 to June 2021 when Assessing Officer has permitted quarterly deposit of TDS under section 192, 194A, 194D or 194H as per Rule 30(3).

15 July 2021

Due date for issue of TDS Certificate for tax deducted under section 194-IA (Payment on transfer of certain immovable property other than agricultural land) in the month of May, 2021.

Due date for issue of TDS Certificate for tax deducted under Section 194-IB (Payment of rent by Hindu undivided certain individuals or family) in the month of May, 2021.

Due date for issue of TDS Certificate for tax deducted under Section 194M (Payment of certain sums by certain individuals or Hindu undivided family) in the month of May, 2021.

Quarterly statement of TCS deposited for the quarter ending 30 June, 2021.

Certificate of tax deducted at source to employees in respect of salary paid and tax deducted during Financial Year 2020-21.

The due date for issue of certificate of TDS in respect tax deducted from the salary paid during the Financial Year 2020-21 has been extended from June 15, 2021 to July 15, 2021 vide Circular no. 9/2021, dated 20-05-2021.

30 July 2021

Quarterly TCS certificate in respect of tax collected by any person for the quarter ending June 30, 2021.

Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA (Payment on transfer of certain immovable property other than agricultural land) for the month of June, 2021

Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB (Payment of rent by Hindu undivided certain individuals or family) for the month of June, 2021.

Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194M (Payment of certain sums by certain individuals or Hindu undivided family) for the month of June, 2021.

31 July 2021

Quarterly statement of TDS deposited for the quarter ending June 30, 2021.

Due date for claiming foreign tax credit, upload statement of foreign income offered for tax for the previous year 2020-21 and of foreign tax deducted or paid on such income in Form no. 67. (If the assessee is required to submit return of income on or before July 31, 2021.)

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