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kcm Insight

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Dear Reader,

We are happy to present kcmInsight, comprising of important legislative changes in direct & indirect tax laws, corporate & other regulatory laws, as well as recent important decisions on direct & indirect taxes.

We hope that we are able to provide you an insight on various updates and that you will find the same informative and useful.

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Important Rulings

Foreign exchange fluctuation gain on personal loan is a capital receipt not chargeable to tax

Aditya Balkrishna Shroff v. ITO (ITA no. 4472 of 2019, ITAT Mumbai)

The Taxpayer is an individual and had advanced interest free loan to one of his close friends in the financial year 2009-10 under Liberalised Remittance Scheme ("LRS") issued by Reserve Bank of India. During the year, the Taxpayer received back such loan from his friend. The repayment of loan resulted into foreign exchange fluctuation gain of on account of accretion in value of Indian rupee.

The AO is of the view that the foreign exchange fluctuation resulting into gain on repayment of foreign loan is taxable in the hands of the Taxpayer as Income from other sources. The Taxpayer primarily contended that it was a personal interest free loan and he had not received any additional amount over and above the loan amount. The Taxpayer also explained that it was not a business transaction as there was no economic motive as it was advanced to a close friend. The CIT(A) rejected the stand of the Taxpayer and held that surplus amount received in INR due to exchange fluctuation arising from the loan transaction partakes the character of "Interest" income and therefore, is chargeable to tax.

The ITAT after considering the facts and order of the lower authorities observed that both advance of loan and its repayment was in foreign currency only. Further, the Taxpayer did not receive any consideration over and above the principal amount in foreign currency. The ITAT then placed reliance on the decision of Shaw Wallace & Co Ltd vs DCIT (IT Appeal No. 839 and 840 (Cal) of 1996) wherein it has been held that capital receipt is outside purview of income except otherwise specifically provided for in the Act. The ITAT accordingly set aside the order of CIT(A) and held that the transaction was purely a personal transaction and thus, surplus is merely a capital receipt.

Determination of share in joint property should be based upon conveyance deed

DCIT vs Rajesh Pratap Ved, ITA No 1103/Mum/2019, ITAT Mumbai

The Taxpayer along with his spouse, brother and sister-in-law jointly owned a property at Juhu Vile Parle, Mumbai. The Taxpayer's share is 25 % in the joint property. The joint property was acquired in the year 2004 for total consideration of Rs. 1.99 Cr and entire purchase consideration was paid by the Taxpayer and his brother only. For the AY 2015-16, the taxpayer along with other co-owners sold the above property and offered their respective share to capital gain in his ITR.

The AO observed that since the purchase consideration was discharged by the Taxpayer and his brother only, they alone are the owner of the property. The Taxpayer contended that all the four members are rightful owner of the asset, and this position is not altered merely because the purchase consideration was paid by only 2 of the members. The AO rejected the stand of the Taxpayer and apportioned the sale consideration between these two members and re-computed the capital gain income.

The CIT (A) also confirmed the action of AO. The CIT(A) further invoked the provision of 64(1) of the ITA and held that even if the contention of

the Taxpayer is accepted then also income accruing to his spouse shall be required to be clubbed in the hands of Taxpayer.

Before the ITAT, the Taxpayer argued that the property and membership and/or other rights is part and parcel of the property and the said property is jointly owned by the four members of the family (two brothers and their wives). Therefore, sale consideration received by all the members (co-owners) is required to be equally distributed. The Taxpayer further contended that his wife has already offered the capital gain on sale of such property to the extent of her share in her ITR and paid taxes and thus it cannot be taxed again in the hands of Taxpayer. The Department relied upon the finding of lower authorities.

The ITAT after examining the facts and evidence on records held that as per the purchase deed the property is jointly owned by all the four members. The ITAT stated that merely because the payment of purchase consideration is borne by the Taxpayer and his brother it would not alter the legal position that all the four members are co-owners. The ownership of the property is to be supported by the relevant documents i.e. purchase deed/sale deed etc and not based on any assumption. Therefore, in peculiar facts, the ITAT set aside the order of lower authorities and held that Taxpayer and other family members have correctly offered the capital gain on sale of such property to the extent of their share in the ITR.

Real income principle will override accrual principle of taxability

M/s. Nutan Warehousing Co. Pvt. Ltd Vs. ACIT ITA No.471/PUN/2018

For the AY 2013-14, the Taxpayer had filed its ITR. During the assessment proceeding, the AO observed that the Taxpayer has not offered interest income as reflected in 26AS. In response to this, the Taxpayer clarified that the Bank account from which interest is reflected in 26AS was defunct account. As per RBI instruction, no financial transactions were permitted and therefore, even the principal amount lying in the account was not recoverable. Thus, interest never accrued to the Taxpayer nor was receivable and therefore, it cannot be taxed merely because it is reflected in 26AS. The taxpayer also produced the evidence to show that till end of 2017, no interest was received by it.

The AO stated that once interest income is accrued to the Taxpayer it shall become chargeable to tax whether the Taxpayer has received it during the year or not. The AO accordingly rejected the contentions of the Taxpayer and carried out the addition. The CIT(A) also confirmed the addition.

The ITAT after considering the peculiar facts held that the concept of "Accrual" embodies the principle of "Real Income". Accounting treatment has no relevance and only real income can be taxed in the hands of the Taxpayer. The ITAT accordingly set aside the order of lower authorities and held that interest income reflected in 26AS cannot be taxed merely because it is so accounted / reflected. The interest income cannot be charged to taxed till the bank normalizes it operations and there is reasonable certainty that Bank will make the payment of it.

Important Rulings - India

Payment towards social security contribution of Expatriates not taxable as FTS

CTBT Pvt. Ltd. [AAR No. 1366 of 2012]

The issue of whether reimbursements of obligatory payments of expats to foreign companies should be considered as FTS has been a litigative issue. In the present case, the taxpayer is a wholly owned subsidiary of a foreign company and has established a tyre manufacturing plant in India. For ensuring the safety and quality standards of the Group, the taxpayer has employed few experienced expats from one of their Group Companies in Switzerland.

As a part of the Intercompany Agreement with the Switzerland company, it was agreed that foreign company shall disburse social security contribution, insurance and relocation expenses in the home country of expats and later the taxpayer shall reimburse these expenses on cost-to-cost basis. The Revenue argued that since the expats were hired to maintain the quality standards of the Group Company and equip Indian employees with such standards, such services fall under FTS and hence the amount reimbursable to the foreign company as well as the sum paid to the expats in India shall constitute FTS and liable to TDS u/s 195 of the Act. The Taxpayer contends that since it already deducts tax u/s 192 of the Act on the entire amount of the sum payable to expats in India including the social security contribution, any amount reimbursed to the foreign company forming part of the salary of the expats shall not be taxable as FTS as there exist employer-employee relationship.

The AAR emphasized on the fact that the expats were under full control of the Indian taxpayer and that they were relieved from all the obligations from the foreign company and the Indian taxpayer had the right to terminate the contract anytime. The AAR distinguished the landmark judgement of Delhi HC in Centrica India wherein it was held that reimbursement of salary to expats are in the nature of FTS on the ground that in Centrica's case the seconded employees continued to be on payroll of foreign employer and the entire salary of the expats were reimbursed by the Indian Taxpayer whereas in the given case the taxpayer had full control over the expats and only 10-15% of expat's salary is reimbursed to the foreign company to meet the home country's social security requirements. Accordingly, AAR held that reimbursement of obligatory payments are reimbursement in nature, not to be taxable as FTS.

The taxability of reimbursement of obligatory payments for expats is a litigative issue even in cases wherein the entire salary is offered to tax in India. The AAR ruling has held that the transaction under consideration is purely a outcome of employer-employee relationship and thus not services in the nature of FTS. The AAR held that the ruling of Delhi HC in case of Centrica is not applicable by making a reference to the quantum of reimbursement to hold that a lower amount diminishes the chances of a possible camouflage of FTS as reimbursements. The ruling reiterates the position that if the Taxpayer is able to demonstrate that the control over employment was in effect in the hands of the Indian employer, the reimbursements of costs to the overseas entity should not constitute fees for technical services.

Important Rulings - India

Income received by Mauritius Company from IDR taxable under Act but exempt under DTAA

Morgan Stanley Mauritius Co Ltd v. DCIT (ITA No. 7388 of 2019, Mumbai ITAT)

The Taxpayer, a tax-resident of Mauritius, invested in the listed Indian Depository Receipts ('IDRs') issued by Standard Chartered Bank, India Branch ('SCB India) with underlying assets as shares of SCB-UK (listed Company in UK). For the shares of SCB-UK, Bank of New York Mellon USA (BNY-US) acts as custodian while SCB India acts as a depository. The Taxpayer received income from SCB – India, with regards to underlying shares of SCB – UK which was taxed by the Revenue as dividends in India on the grounds that they were first deposited in Indian bank account.

The Tribunal observed that the Taxpayer is not a shareholder and received the net dividend from SCB-India not in the capacity of the shareholder but as the IDR holder as any benefit arising out of the underlying asset goes to the IDR holder. Accordingly, the Tribunal held that the sum received by the taxpayer shall not be taxed as dividends u/s 9(1)(iv) of the ITA however, remarked that there exists a business connection in India and thus the income is chargeable u/s 9(1)(i) of the Act. In support, the Tribunal held that although the shares may be held by an overseas custodian but the ownership of the shares is with SCB – India and the central point of management of IDRs takes place in India. Accordingly, the Tribunal held that there exists a clear business connection between the dividend income arising from the underlying shares of SCB UK and Indian depository and IDRs and just because the income is not from an Indian company and cannot be taxed as dividend, it cannot escape the rigour of the section dealing with all income accruing or arising, whether directly or indirectly, through or from any business connection in India, or through or from any property in India, or through or from any asset or source of income in India or through the transfer of a capital asset situated in India as per section 9(1)(i) of the ITA.

However, the Tribunal accepted the contention of the taxpayer that it is eligible for treaty protection on the income received from holding the IDRs. The Tribunal observed that Article 10 of the treaty covers taxability of dividends and covers dividends paid by resident of one country to the resident of other country. In the given case, the recipient was a Mauritius resident and the payer can be considered either SCB UK or SCB – India. The Tribunal held that SCB UK is fiscally domiciled in UK and thus a non-resident of India. Further, if it is assumed that dividend is paid by SCB – India, then SCB-India is the Indian Branch Office and PE of SCB UK and thus cannot be treated as resident under the treaty. Accordingly, the Tribunal held that Article 10 of India-Mauritius DTAA will not be applicable and hence income needs to be evaluated under the residuary clause i.e. Article 22 (Other Income). According to Article 22, such income would be taxed in the country in which recipient of income is the resident of i.e. Mauritius, in this case. Hence, it is concluded that income is exempt in the hands of Mauritius Taxpayer under the Treaty.

In the present case it was concluded by the Mumbai Bench that income earned by a non-resident taxpayer from the Indian Depository with underlying shares of a foreign company would be taxable in India as per section 9(1)(i) of the Act. Interestingly, the Tribunal did not consider whether the non-resident taxpayer has a business connection in India or not and held the income arising in the hands of such non-resident taxpayer will be taxable in India on the ground that IDRs were managed and controlled from India. It will certainly raise question whether Business Connection as defined u/s 9(1)(i) of the Act is to be tested in respect of a person or of an income.

Another interesting issue in the ruling is that the Tribunal held that dividend income shall not be taxed under the specific Article 10 - Dividend as this Article is applicable if the dividend income is paid by a resident taxpayer. The Tribunal noted that since the dividend is ultimately paid by the UK Company or by its branch office in India, the condition of Article 10(1) does not gets fulfilled and thus recourse is to be taken to residuary Article 22 – Other Income. This is an interesting case wherein recourse is taken to a residuary Article is especially when the nature of income is such as has been expressly dealt with by Article10.

ITAT denies invocation of LOB; allows DTAA benefits on Shipping Income of Company managed and controlled in UAE

Interworld Shipping Agency LLC v. DCIT (ITA No. 7805 of 2019, Mumbai ITAT)

The Taxpayer is limited company incorporated in the UAE and engaged in the business of shipping services including chartering of ships and containers. It charters ships for transportation of goods to various ports in India and worldwide. Section 172 & 44B of the ITA taxes shipping income arising in the hands on non-residents in India at the rate of 7.5%. The Taxpayer claimed the benefit of the Indo-UAE DTAA which provides that any profits arising in India to a UAE resident shall be taxed in UAE and not in India. The Revenue challenged the basic fundamental condition for claiming the treaty benefits and contended that the taxpayer does not meet the Residency Test as defined under Article 4(1) of the DTAA which states that resident means a company incorporated in UAE and 'managed and controlled" wholly in UAE. The Revenue contended that since 80% of profits of the UAE entity were to go to a Greek National, 'look at' approach is to be applied and since TRC of actual beneficiaries i.e. the partners of the taxpayer entity were not provided, the Taxpayer was not a resident of UAE. The Taxpayer also approached the DRP, however the order of the AO was only confirmed by the DRP.

The ITAT rejected the contentions of the Revenue and held that since the Taxpayer had its office in UAE since the year 2000 and had 14 employees who are on work permit in UAE, there was sufficient evidence the Taxpayer was in fact controlled and managed from UAE. On the contention raised by the Revenue that there was no evidence on record to show the Greek National (who was the managing director) was present in UAE for 183 days, the ITAT found that the Greek National was in-fact present in UAE for 300 days based on the Passport produced by the Taxpayer and the ITAT additionally observed that the requirement for presence in UAE for 183 days is for determining the residential status of individuals and not for the directors of the companies. The only test for a company

being termed as 'resident of UAE' is that it should be incorporated in UAE and wholly managed and controlled in the UAE.

Additionally, the Revenue had also invoked the Limitation of Benefit ('LOB') clause under Article 29 of the Indo-UAE DTAA which provides that if an entity is formed merely for the purpose of taking advantage of the DTAA then the benefits of the Tax treaty would not be available to the entity. The ITAT refuted this by observing that the Taxpayer was incorporated in the year 2000 whereas the income which was being claimed as not taxable under the DTAA was earned 15 years later and hence it cannot be considered that the Taxpayer was 'incorporated' with the main purpose of obtaining treaty benefits. Further, the Tribunal held that there was no evidence to prove that the business carried out by the taxpayer was not a bona-fide transaction. Accordingly, the ITAT held that LOB clause under the Treaty should not be applicable to the Taxpayer.

It seems that the AO & DRP failed to take cognizance of the evidence furnished by the Taxpayer and had in turn asked the Taxpayer to prove that it was not managed & controlled from outside UAE by asking to produce the documents which the Taxpayer was not mandatorily required to maintain. The ITAT has rightly reaffirmed the position settled by SC in the case if KP Varghese v. ITO (1981) 131 ITR 587 (SC) that the Taxpayer cannot be asked to prove the negative and the burden of such proof (that the Taxpayer was not controlled and maintained from UAE) lies on the department.

ITAT caps DDT to the beneficial rates of DTAA

M/s. Indian Oil Petronas Pvt. Ltd v. DCIT (ITA No. 1884 & 1885 of 2019, Kolkata ITAT)

The Taxpayer is an Indian Company which had declared dividend to its shareholder (a tax resident of Malaysia). As per the erstwhile regime, the Taxpayer was liable to deposit DDT on such dividend. While the taxpayer was in appeal before the ITAT, it raised an additional ground that the rate of DDT should be capped to the beneficial rate available under the DTAA.

While deciding on the matter, the ITAT has observed that as per the charging section of the ITA, dividend is a part of the income (as also held by the SC in the case of Godrej & Boyce Manufacturing Co 394 ITR 449). ITAT further took note of the fact that the rationale behind introduction of DDT was that for administrative convenience, the incidence of tax is shifted to the resident company paying dividend income. Once the dividend constitutes income in the hands of the shareholders, the same should be chargeable to tax as per the provisions of Section 4 of the Act and thus the income tax including the additional income tax should be charged at the rate specified in the ITA or DTAA, whichever is more beneficial. Additionally, the ITAT also mentioned that since the Taxpayer was liable to bear the tax on such dividend income, the grossing up of taxes u/s 195A of ITA should be done considering the beneficial rate of the DTAA. The view that the DDT should be subject to treaty benefits has also been taken by the Delhi ITAT in the case of Giesecke & Devrient (India) Pvt. Ltd. vs. ACIT (ITA No. 7075 of 2017) as well as the Kolkata ITAT in the case of Reckitt Benkiser (I) Pvt. Ltd. vs. DCIT (ITA No. 404 of 2015).

The ITAT also laid down the tests which should be fulfilled by the taxpayer to claim the treaty benefits which state that i) Dividend should be

Important Rulings - India

paid to the non-resident shareholder. ii) Dividend constitutes income in the hands of the non-resident shareholder. iii) The non-resident shareholder is the beneficial owner of the dividend. iv) The non-resident shareholder should not have a 'Permanent Establishment' in India.

The decisions on this subject matter are of significant relevance for the DDT era and provide the much-needed tax relief to the foreign shareholders of Indian companies. However, from 01 April 2020, the incidence of tax on divided has been once again shifted to the shareholders.

International Updates - India

Digital Tax threshold for constituting SEP notified by CBDT

Finance Bill 2018 introduced the concept of Significant Economic Presence ('SEP'), which widened the scope of business connection to include provision of download of data or software, if aggregate payments from such transactions exceed a prescribed amount, or if a multinational's interaction is with prescribed number of users.

The amount as well as number of users was not prescribed until May, past that CBDT vide Notification No. 41/2021 notified that the amount threshold would be INR 2 crores and users threshold would be 3 Lakhs. This will come into effect from April 1, 2022.

It should be important to note that though the amendments have been made under the Indian domestic laws, the existing DTAAs would still not cover the proposed change and in order to tax it, India would need to renegotiate the treaties.

Coverage

For more details and to better understand about SEP and its implications, readers may refer to our publication #KCMFlash dated May 28, 2021.

Important Rulings

Selection of Tested Party is mandatory for effective TP Analysis; irrespective of MAM

M/s. Balarampur Chini Mills Limited Appeal No. 1672 of 2019 (Kolkata ITAT)

The case pertains to determination of arm's length price of supply of electricity by a captive power unit to non-eligible unit of Balarampur Chini Mills Limited (the taxpayer). The taxpayer claimed deduction u/s 80-IA of the Act for such supply of electricity from eligible unit to non-eligible unit. For the said purpose, it had considered the manufacturing unit as the tested party and the rate at which State Electricity Board (SEB) supplied electricity vide Tariff Orders issued by State Electricity Regulation Commission was considered to be the arm's length price i.e., Rs. 8.30 per kwh based on CUP.

The TPO had contended that once CUP has been selected as the MAM, there is no need to select a tested party. Further, since the eligible unit of the taxpayer had also supplied electricity to non-related entities during the year under consideration, ALP should be considered as an average of such supply price to non-related entities and the tariff rate i.e., Rs. 4.90 per kwh.

The decision of Kolkata ITAT in case of determination of ALP follows various judicial pronouncements in this regard by other ITAT bench / HC i.e., Graphite India Ltd. (ITA No. 304-305/K/08), Kanoria Chemicals & Industries Ltd. (ITA No. 544/K/16) and Gujarat Alkalies and Chemicals Ltd. Godawari Power & Ispat Ltd. (ITA No. 544 of 2016), wherein it has been held that the market value i.e., rate at which SEB supplies electricity as per respective Tariff Order should be considered as the arm's length price.

Having regard to the contention of the TPO / AO that in case of CUP, there should be no selection of tested party, the ITAT has observed that such a contention was erroneous. The ITAT also referred to Guidance Note issued by the ICAI wherein it has been clearly laid out that tested party has to be identified even when MAM is CUP.

The ITAT rightly pointed out that the purpose for which the manufacturing unit was selected as the tested party by the taxpayer was to correctly determine the market value at which the manufacturing unit purchased power from unrelated third parties. Thus, considering the manufacturing unit as tested party for the purpose of determination of ALP with MAM being CUP, was considered appropriate.

To conclude, it is extremely important to select a 'Tested Party' based on efficient Functional Analysis, irrespective of the method being selected. Since a tested party would be an enterprise in respect of whom accurate and correct data is easily available and / or the one performing least complex functions, which require minimum adjustments. It is the 'Tested Party' selected shall form the basis of an effective Comparability Analysis, thereby enabling the selection of 'Most Appropriate Method'.

Corresponding reduction in income of non-resident AE; for amount refunded pursuant to Indian AE's unilateral APA

Gemological Institute of America Inc; Appeal no 386 of 2016, 1836 and 7174 of 2017, 53,7739 and 7740 of 2019 (Mumbai ITAT)

The taxpayer, a non-resident company had refunded royalty in excess of amount approved by unilateral advance pricing agreement (APA)

for assessment year (AY) 2010-11 to AY 2017-18 in case of GIA India Laboratory Private Limited, Indian associated enterprise (AE). Indian AE had offered its revised income to tax after entering into an APA for five consecutive (ending March 31, 2014 till March 31, 2017) and three preceding (ending Ma2rch 31, 2014 till March 31, 2017) financial years with the Indian Income Tax Authorities.

DRP rejected the claim the taxpayer stating that, APA in the case of Indian AE does not have a binding force on computation of royalty in the hands of the taxpayer. Taxpayer drew reference to the critical assumption in APA wherein it was stated that royalty in excess of ALP (as determined in accordance with the provisions of APA) shall be recovered from the taxpayer by way of raising an invoice and will be offered to tax by Indian AE. Such invoice was ought to be realized within 60 days of issue. Taxpayer also stated that by virtue of the APA, the fundamentals of transaction between Indian AE and the taxpayer had undergone a change and the excess royalty ought to be refunded, was adjusted with the current year royalty.

Taxpayer reiterated the second proviso to section 92C (4) of the ITA prohibits an AE from getting a corresponding benefit of an ALP only in cases where ALP is determined by AO under section 92C (3). There is no such prohibition provided in section 92CC to 92CE (provisions governing the APA scheme), rule 10F to 10T, rules 44GA, rule 10MA and 10RA.

ITAT citing the critical assumptions of APA governed by Rule 10F concluded that an income, which is neither actually received nor actually arisen to the taxpayer- as a result of an APA arrangement cannot be taxed in the hands of the taxpayer and once the royalty payable by its Indian AE is adjusted with the amount refundable for earlier years. ITAT accepted the settled legal position of Hon'ble SC in CIT vs. Bokaro Steel Ltd. (236 ITR 315) referred by taxpayer and held that, "There can be no way in which an assessee can be taxed in respect of that part of receipt of an income which the assessee has bonafide refunded to the person from whom such an income was received."

This decision clarifies that benefit of reduction in ALP of Indian entity pursuant to APA for previous years can be availed by AE. Also, proper documentation is necessary to establish that the excess amount thus refunded is bonafide and the commercial expediency of such transaction cannot be questioned.

Whether Transfer Pricing provisions are applicable to Divestment of Shares?

Value Labs LLP - ITA No.1729 / Hyd / 2019 – Hyderabad ITAT

The taxpayer has transferred the shares held in various group companies at face value to another group company situated in Singapore. The ITAT has relied on the decision of Hon'ble Bombay High Court in the case of PCIT Vs. PMP Auto Components Pvt. Ltd. (2009) 416 ITR 435 (Bom) and Vodafone India Services Limited 368 ITR 001 (Bom). In the said judgements, the Hon'ble High Court considering the CBDT Circular No. 2/2015 dated 29-01-2015 held that the transaction being a capital account transaction does not give rise to income chargeable to tax so as to be treated as an international transaction u/s. 92B of the ITA. It further held that there is no further distinction regarding insourced and outsourced

transactions in case of transaction related to shares so far as provisions of the ITA to this effect are concerned. The ITAT in the present case has relied on the said reasoning by the Hon'ble Bombay High Court and held that the transfer pricing provisions are not applicable to divestment of shares as such transaction does not fall within the purview of international transaction u/s 92B of the ITA.

However, it is important to note here that the transaction under consideration in the case of PMP Auto Components Pvt. Ltd. (supra) and Vodafone India Services Limited (supra) was pertaining to purchase of shares and issue of shares respectively. The Hon'ble High Court has held that such transaction being a capital account transaction does not give rise to income chargeable to tax and therefore it cannot be treated as an international transaction u/s 92B of the ITA. Whereas, in the present case the transaction under consideration is divestment of shares which gives rise to Income chargeable under Act under Section 2(24) read with Section 45 of the Income Tax Act. Further, following the ruling in the case of Dana Corporation (AAR No. 788 of 2008), the taxpayer meets the test of an income arising from an international transaction and therefore, transfer pricing provisions may apply to the transaction of divestment of shares.

It is also important to note here that the Mumbai ITAT in the case of Lanxess India Private Ltd.(ITA No. 7202 / Mum / 2012) while dealing with the issue of TP addition by the TPO on account of control premium for sale of shares by Indian entity to its AE, accepted that the transaction of sale of shares is an international transaction and transfer pricing provisions are applicable to such transaction. It has also adopted similar view in the case of First Advantage Quest Research Limited (ITA No. 1546 – 1547 / Mum / 2017). Further, the Cochin ITAT in the case of Apollo Tyres Ltd. (ITA No. 223 / Coch / 2015) and the Bangalore ITAT in the case of Wevin Pvt. Ltd. [IT(TP)A No. 2710 / Bang / 2017] also considered such transaction as an international transaction and accordingly applied the TP provisions to it.

However, contrary to the above, the ITAT in the present case has adopted a view that the transfer pricing provisions are not applicable to divestment of shares as such transaction does not fall within the purview of international transaction u/s 92B of the ITA. This judgement of the ITAT may not be questioned before the Hon'ble High Court owing to the quantum involved. In view thereof, one may take a view that even the transaction of divestment of shares are out of the scope of transfer pricing provisions unless the said judgement is overturned by a special bench / higher authorities or contrary view by another ITAT.

However, as mentioned above there are many contradicting views by different bench of the ITAT and therefore discretion is advised before taking an extreme view. Therefore, since the transaction of sale of shares is chargeable to tax as capital gains and it is a litigious position to take such view, one should take conservative view and report the transaction to avoid any penal action for non-reporting of transactions in Accountant's Report u/s 92E of ITA.

Circulars & Notifications

Goods and Service Tax

Various amendments to CGST Rules, 2017

Notification No. 15/2021 Central Tax dated May 18, 2021

Revocation of cancellation of registration

The AC / JC / Commissioner are given powers to extend the time limit for applying for revocation of cancellation of registration.

Amendment in the time limit for filing of Refund claim

Where a fresh refund application is filed by the taxpayer for rectification of the deficiencies, the period between the date of filing of the original refund application and the date of communication of deficiencies by the proper officer shall be excluded while calculating the time limit of 2 years applicable for filing of the refund claims.

Withdrawal of refund application

- The taxpayer can withdraw the refund application filed, by filling FORM GST RFD-01W at any time before issuance provisional sanction, final sanction, refund withhold or payment order or notice for rejection of refund application
- On submission of FORM GST RFD-01W, the amount which has been debited from ECL shall be credited to the ECL.

Amendment to E-way Bill Rules

An amendment has been carried to Rule 138E of the Rules, to provide that EWB shall be blocked only in case the person making outward supply fails to file their tax returns for two consecutive periods. Earlier EWB was not allowed to be generated if either the recipient or the supplier had not filed returns.

SOP for implementation of the provision of extension of time limit to apply for revocation of cancellation of registration

Circular No. 148/04/2021-GST dated May 18, 2021

- The time limit for applying for revocation of cancellation of registration was extended by the CBIC vide notification No. 92/2020- CT dated December 22, 2020. However, an independent functionality to apply for such extension has not been deployed on GSTN. In order to ensure uniformity and till the time the said facility is available on GSTN, taxpayers are required to follow the guidelines contained in the SOP prescribed under this circular.
- The circular shall cease to have effect once the functionality available on GSTN.

Customs

Exemption of IGST on import of specified COVID-19 relief material donated from abroad

Ad hoc Exemption Order No. 04/2021-Customs dated May 03, 2021, Ad hoc Exemption Order No. 05/2021-Customs dated May 31, 2021 and Notification No. 32/2021 – Customs dated May 31, 2021

The CBIC has provided exemption from IGST on import of goods received free of cost for free distribution for Covid-19 relief, subject to the following conditions:

- The goods are imported by a State Government or, any entity, relief agency

or statutory body, authorised in this regard by any State Government.

- The importer shall, before clearance of goods, be required to produce a certificate from the nodal authorities appointed by the state government stating that goods are meant for free distribution for Covid-19 relief.
- The importer shall be required to produce a statement containing details of imported goods distributed free of cost, certified by the nodal authority before the Deputy or Assistant Commissioner of Customs at the port of import within 6 months or within an extended period not more than 9 months from the date of import.

The above exemption shall apply to goods to be imported between 03 May 2021 till 31 August, 2021.

Extension of Applicability of Anti-Dumping Duty

Notification No. 29/2021-Customs (ADD) dated May 07, 2021

The CBIC has extended the levy of anti-dumping duty on import of Seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy steel (other than cast iron and stainless steel), whether hot finished or cold drawn or cold rolled of an external diameter not exceeding 355.6 mm or 14" OD originating in or exported from the People's Republic of China up to October 31, 2021.

Changes introduced through the Customs Import of Goods at Concessional Rate of Duty Amendment Rules, 2021

Circular No.10/2021-Customs dated May 17, 2021

- Amendments were made to the IGCR Rules, 2017 in the budget 2021 which:
  - Allowed Imported goods to be sent for job work.
  - Where CG are imported at a concessional rate of duty for a specified purpose and, such CG after being put to use can be cleared after payment of the differential duty and interest, on a depreciated value.
- Now, the CBIC has issued the Circular clarifying the detailed procedure to be followed by the importer to avail the above-mentioned facility.
- Further, it has been clarified that any importer or job worker who does not follow the prescribed procedure shall be liable to a penalty of up to Rs. 2,00,000/-.

Extension of validity of AEO Certification

Circular No.11/2021-Customs dated May 24,2021

Considering the lockdown/constraints due to Covid-19, the CBIC had extended the validity of all type of AEO certificates which are expired/going to expire between the period of April 01,2021 to May 31,2021 till June 30, 2021. However, the said relaxation shall not be available to those entities which have been found ineligible for AEO program.

Circulars & Notifications

DGFT- Foreign Trade Policy

Notified fee for Non-Preferential Certificate of Origin

Public Notice No. 05/2015-20 dated May 27, 2021

DGFT has fixed a fee of Rs. 200/- per certificate for issuance of Non-Preferential CoO.

Trade Notices

Introduction of new online module for issuance of Export Authorisation for Restricted Items (Non-SCOMET)

Trade Notice No. 03/2021-22 dated May 10, 2021

- DGFT has introduced a new online module for filing an application for export authorizations w.e.f. May 17, 2021. Application for export authorization of restricted items can be made online on the DGFT website:
- Any amendment/re-validation of export authorization also needs to be submitted online. Further DGFT has clarified that all pending applications will be migrated to this new system and will be processed accordingly.

Extension of validity of Registration cum Membership Certificate

Trade Notice No. 04/2021-22 dated May 10, 2021

- DGFT has clarified that Regional Authorities would not insist on a valid RCMC in cases where the same has expired on or before March 31, 2021, for applications for any incentive/authorization till September 30, 2021.
- However, applicable fees will be collected for the year 2021-22 on the restoration of normalcy.

Introduction of an online e-EPCG Committee module for accepting applications

Trade Notice No. 05/2021-22 dated May 19, 2021

The Committee has introduced an online e-EPCG committee module on the DGFT website through which the members of the trade can file an application seeking relaxations. Going forward, the EPCG Committee would accept the applications through online mode only and no manual submission would be allowed.

Mandatory recording of information about the transfer of DFIA Scrips and Paperless issuance of DFIA Scrips

Trade Notice No. 06/2021-22 dated May 25, 2021

- A facility has been created on the DGFT website to record the information about the transfer of DFIA scrips online. In case of Requests for ARO/Invalidation against the DFIA Scrip or transfer of the scrips to another person, the details of the transfer of the said scrip would also be required to be recorded in the DGFT online system.
- The issuance of paper copies of DFIA scrips for EDI Ports shall be discontinued w.e.f. June 07, 2021. Security Paper copies of DFIA Scrips shall continue to be issued for Non-EDI Ports.

Case Laws

In absence of a specific provision for filing an appeal against self-assessment, a taxpayer can file a refund claim

Cadila Healthcare Limited vs C.S.T- Service Tax Ahmedabad, Service Tax Appeal No. 445 of 2011 – DB

The Taxpayer, a Company incorporated under the Companies Act, was a partner in a partnership firm. The Taxpayer paid service tax on the remuneration received by it from the partnership firm under a belief that such remuneration was towards the services of promotion and marketing of products provided by it to the partnership firm. The Taxpayer, later on realized that it was not liable to pay service tax on such services and filed an application claiming refund of the service tax paid. The department rejected the refund application mainly on the ground that the Taxpayer did not file an appeal against the self-assessment made by it in paying the service tax.

The Taxpayer filed an appeal before the CESTAT and on the main objection of the department that the Taxpayer had not filed an appeal against the self-assessment, the CESTAT held that under service tax, there is no express provision for filing an appeal against the self-assessment which is expressly provided under the Customs Law. The CESTAT, accordingly, held that refund is admissible. On merits, the CESTAT relied on various decided cases wherein it has been held that there cannot be a provision of service by a partner of the partnership firm to the firm and the activities performed by the Taxpayer are his duties as a partner which is not liable to service tax.

The CESTAT made a very important observation that in case where there is no specific provision to file an appeal against the self-assessment, the Taxpayer can make an application for refund of the tax erroneously paid.

Nexus is required between outward and inward supply for utilising ITC

M/s. Aristo Bullion Pvt Ltd, Advance Ruling NO. GUJ/GAAR/R/15/2021

The Taxpayer is engaged in the supply of gold in unwrought or in semi-manufactured or powder forms. Gold dore, silver dore etc. are used as inputs on which some manufacturing process is carried out. The Taxpayer pays GST to the suppliers of gold dore etc. and avails ITC.

The Taxpayer intends to engage in the business of trading Castor oil seeds which it will purchase from agriculturists. In view of the Taxpayer, while the Agriculturists have been given exemption from obtaining GST registration, the Taxpayer not being the Agriculturist is not eligible for the said exemption and hence, liable to pay GST on the sale of Castor oil seeds.

The Taxpayer, therefore, approached the AAR to seek a clarification as to whether they can utilise ITC availed on the procurement of gold/silver dore against the outward GST liability towards sale of Castor Oil Seeds. The Taxpayer explained that the ITC on purchase of gold / silver dores may remain unutilised even after selling the output gold products due to reasons such as holding the stock for a longer period or selling the physical stock at a price lower than the purchase price.

The AAR observed that as per Section 16(1) of the CGST Act, a person is entitled to take ITC in respect of goods or services supplied to him which are used or intended to be used in the

course or furtherance of his business. The AAR thus, held that the input procured by the Taxpayer should have a nexus with the output in order to avail the ITC. Accordingly, since the purchase of gold dore etc. is not related to the sale of castor oil seeds, the ITC availed on purchase of such gold dore etc. cannot be used for discharging the liability of GST on sale of castor oil seeds.

The AAR seems to have applied a very narrow interpretation to the words "used in the course or furtherance of his business" by concluding that there has to be a nexus between the input and output i.e. ITC availed on inputs meant for one vertical of business cannot be used for payment of GST on output of other vertical of the business under the same GST registration certificate. Under the erstwhile provisions with respect to CENVAT Credit, the principle was settled by a catena of judgements that input tax credit once availed, becomes a part of the common pool of credit and the nexus with the output has no relevance. The principle remains the same under GST which in fact was supposed to bring in better flow of ITC.

MCA Notifications

"Expenditure on Health Infrastructure for COVID Care, Establishment of medical oxygen generation plants" etc. - An eligible CSR Activity

General Circular No. 09/2021 dated May 05, 2021

Amid COVID-19 pandemic, the country is facing severe shortage of beds in hospitals, oxygen cylinders and other related equipments. In view of the same, MCA has enlarged the scope of spending of CSR funds to cover the following activities:

- Creating health infrastructure for COVID care;
- Establishment of medical oxygen generation and storage plants; and
- Manufacturing and supply of Oxygen Concentrators, ventilators, cylinders and other medical equipments for countering COVID-19 or any such similar activities

The above activities will be covered under Schedule VII of the Companies Act, 2013 may be considered under the heads promotion of health care, including preventive health care and disaster management.

Companies (*including Government Companies*) can undertake these CSR activities either directly by themselves or in collaboration with other Companies.

Offsetting of Excess CSR Expenditure for FY 2019-20

Circular dated May 20, 2021

On the basis of representations for setting off the excess CSR amount spent by the companies in FY 2019-20 by way of contribution to 'PM CARES Fund' against the mandatory CSR obligation for FY 2020-21, MCA has clarified that if a Company has contributed any amount to "PM Cares Fund" as on March 31, 2020 in excess of the minimum prescribed CSR amount i.e. 2% of the average net profits of the Company for FY 2019-20, such excess amount can be offset against the requirements to be spent in the FY 2020-21, subject to the following conditions:

- The unspent CSR amount for previous financial years, if any, shall first be settled against such excess amount;
- The Chief Financial Officer shall certify that the contribution to "PM-CARES Fund" was indeed made on March 31, 2020 and the same shall also be so certified by the statutory auditors of the Company; and
- The details of such contribution shall be disclosed separately in the Annual Report on CSR as well as in the Board's Report for FY 2020-21.

RBI & FEMA Notifications

Increase in KYC limit, etc. for digital wallets payment

RBI/2021-22/40, Circular No. DPSS.CO.PD.No. S-99/02.14.006/2021-22 Dt. May 19, 2021

- To further promote digital transactions in the country, the Reserve Bank of India (RBI) has increased the limit of outstanding balance in respect of full-KYC PPIs (i.e. Paytm wallets, Phone pe wallets, forex cards, etc.) to INR 2 lakh from earlier INR 1 lakh for any wallet or card.
- Cash withdrawal (which was earlier not allowed for Non Bank PPIs) is now being permitted in respect of full-KYC PPIs, subject to the following conditions:
  - Maximum withdrawal limit of INR 2,000 per transaction with an overall limit of ₹10,000 per month per PPI;
  - All cash withdrawal transactions using a card / wallet, to be authenticated by an Additional Factor of Authentication (AFA) / PIN;
  - Proper customer redressal mechanisms to be put in place by PPIs offering cash withdrawals as to provide seamless services to customers.

Customer Due Diligence for transactions in Virtual Currencies (VC)

RBI/2021-22/45, Circular No. DOR.AML.REC 18/14.01.001/2021-22 Dt. May 31, 2021

- Reserve Bank of India (RBI) vide Circular No. DBR.No.BP.BC.104/08.13.102/2017-18 dated April 06, 2018 on "Prohibition on dealing in Virtual Currencies (VCs)" had advised entities regulated by the RBI not to deal in VCs or provide services for facilitating any person or entity in dealing with or settling VCs that included maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer / receipt of money in accounts relating to purchase/ sale of VCs.
- The Hon'ble Supreme Court in the matter of Writ Petition (Civil) No.528 of 2018 (Internet and Mobile Association of India v. Reserve Bank of India) [a judgement passed on March 04, 2020], declared the RBI Circular on "Prohibition on dealing in Virtual Currencies (VCs)" as invalid. Taking cognizance of this judgement, RBI has permitted institutions/entities regulated by RBI to provide services to entities operating in VCs subject to appropriate customer due diligence processes vide this Circular, thus giving tacit approval to VC dealing / trading in India.

Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)[1] and Individuals and Small Businesses

Two Circulars have been issued by the Reserve Bank of India (RBI) for the purpose of providing relief to MSMEs and Small Businesses as well as Individuals. This is an extension of the benefits that were notified last year, with the view to support small business entities to tide over the financial crisis brought about by COVID pandemic. The salient points of the two Circulars are as follows:

RBI/2021-22/47

Circular No. DOR.STR.REC.21/21.04.048/2021-22 Dt. June 04, 2021

The eligibility condition for MSME accounts to be considered for restructuring under "Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)" dated May 5, 2021 for MSME borrower with an aggregate exposure, including non-fund based facilities not to exceed INR 25 crore as on March 31, 2021 has been revised to INR 50 crores.

RBI/2021-22/46

Circular No. DOR.STR.REC.20/21.04.048/2021-22 Dt. June 04, 2021

The eligibility condition for Individual and Small Business to be considered for restructuring under "Resolution Framework 2.0 – Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure" dated May 5, 2021 for Individuals who had availed loans and advances for business purposes and small businesses (other than businesses / entities covered under the definition of MSME) including those engaged in retail and wholesale trade, with an aggregate exposure not to exceed INR 25 crore as on March 31, 2021, has been now been increased to INR 50 crores, on lines similar to those for MSME entities.

[1]MSME means as defined in Gazette notification No. S.O. 2119(E) dated June 26, 2020 on "Micro, Small and Medium Enterprise"

Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021

RBI/2021-22/79, Notification No. FMRD.DIRD. 03/14.01.003/2021-22 Dt. June 04, 2021

Master Direction on "Money Market Instruments: Call / Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures" vide Master Direction No. 2/2016-17 dated July 7, 2016, was issued to cover guidelines for all short-term funding instruments commonly known as "Money Market Instruments". These covered a gamut of short-term financing instruments including Call / Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year). However, to introduce greater clarity and bring consistency across products in terms of issuers, investors and other participants, Reserve Bank of India (RBI) decided to rationalize the coverage of money market instruments with the introduction of Master Direction on Certificate of Deposit. We can expect release of such Master Directions for other Money Market instruments as well in the coming days.

RBI & FEMA Notifications

Coverage

The introduction of Master Direction on Certificate of Deposit Dt. June 04, 2021 has brought about certain key changes in the governance of Certificate of Deposits from the Master Direction issued in 2016. The same are being highlighted in the following Table below:

Sr. No.	Particulars	Master Direction - Money Market Instruments: Call / Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures, 2016	Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021
1	Eligible Issuers	Scheduled Commercial Banks and selected All-India Financial Institutions (FIs).	Scheduled Commercial Banks, Regional Rural Banks, Small Finance Bank and selected All-India Financial Institutions (FIs).
2	Eligible Investors	Individuals, Corporations, Companies (including banks and PDs), Trusts, Funds, Associations, etc. Non-Resident Indians (NRIs) may subscribe to CDs, but only on non-repatriable basis.	Only Persons Resident in India. NRIs not permitted to subscribe to CDs.
3	Minimum size of Issue and Denomination	Minimum deposit from a single subscriber not be less than INR 1 lakh, and in multiples of INR 1 lakh thereafter.	Minimum deposit limit enhanced to INR 5 lakhs and in multiples of INR 5 lakhs thereafter.
4	Loan / Buy Back	Bank / FI cannot give loan against CDs. Buy back of CDs not permitted.	Bank / FI cannot give loan against CDs. Issuing banks are permitted to buyback CDs before maturity subject to certain conditions.
5	Accounting	Banks / FIs may account the issue price under the Head "CDs issued" and show it under deposits. Accounting entries towards discount will be made as in the case of "Cash Certificates". Banks / FIs should maintain a register of CDs issued with complete particulars.	Accounting for CD transactions shall be as per the applicable accounting standards prescribed by the Institute of Chartered Accountants of India (ICAI) or other standard setting organisations or as specified by the relevant regulations of the Reserve Bank.

SEBI Notifications

Business responsibility and sustainability reporting by listed entities

SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021

Considering an increased focus of investors and other stakeholders seeking the businesses to be responsible and sustainable towards the environment and society, SEBI vide this Circular has mandated reporting on Environment, Social and Governance (ESG) parameters by Listed entities called as Business Responsibility and Sustainability Report (BRSR).

The intent behind introducing such reporting is to enable comparison across companies and sectors that would not only help investors to make better investment decision but also enable the companies to engage with their stakeholders by encouraging them to look at the impact of company's performance on environment and society.

From the Financial Year 2022-23, Top 1000 Listed Companies (based on Market capitalization), shall compulsorily file BRSR instead of existing Business Responsibility Report (BRR). However, the Companies can file BRSR voluntarily for the F.Y. 2021-22.

Relaxation in compliance with Regulatory filings pertaining to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs)

SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/568 dated May 31, 2021

Amid the second wave of COVID-19 pandemic and considering the representations received from AIF Industry for extension of timelines for various regulatory filings and compliances, SEBI has extended the due dates of regulatory filings, by AIFs and VCFs, during the period ending March 2021 to July 2021 and such filings can be submitted on or before September 30, 2021.

Extension of Implementation date of Disclosures w.r.t schemes which are subscribed by the Investor

SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/566 dated May 31, 2021

SEBI, vide circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/555 dated April 29, 2021, specified disclosure of the following with respect to the schemes which are subscribed by the investor:

- risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-à-vis benchmark
- details of portfolio

The aforesaid disclosures were applicable from the June 01, 2021 which are now extended to September 01, 2021 based on the representation received from Association of Mutual Funds in India (AMFI).

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For further analysis and discussion, you may please reach out to us.

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Abbreviations

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Abbreviation	Meaning
AAR	Authority of Advance Ruling
AAAR	Appellate Authority of Advance Ruling
AAC	Annual Activity Certificate
AD Bank	Authorized Dealer Bank
AE	Associated Enterprise
AGM	Annual General Meeting
AIR	Annual Information Return
ALP	Arm's length price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Person
APA	Advance Pricing Arrangements
AS	Accounting Standards
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BOI	Body of Individuals
BRC/FIRC	Bank Realisation Certificate / Foreign Inward Remittance Certificate
CBDT	Central Board of Direct Tax
CBIC	Central Board of Indirect Taxes and Customs
CCA	Cost Contribution Arrangements
CCR	Cenvat Credit Rules, 2004

Abbreviation	Meaning
CESTAT	Central Excise and Service Tax Appellate Tribunal
CGST Act	The Central Goods and Services Tax
CIT(A)	Commissioner of Income Tax (Appeal)
COO	Certificate of Origin
Companies Act	The Companies Act, 2013
CPSE	Central Public Sector Enterprise
CSR	Corporate Social Responsibility
CTA	Covered Tax Agreement
CUP	Comparable Uncontrolled Price Method
Customs Act	The Customs Act, 1962
DFIA	Duty Free Import Authorization
DFTP	Duty Free Tariff Preference
DGFT	Directorate General of Foreign Trade
DPIIT	Department of Promotion of Investment and Internal Trade
DRI	Directorate of Revenue Intelligence
DTAA	Double Tax Avoidance Agreement
ECB	External Commercial Borrowing
ECL	Electronic Credit Ledger
EGM	Extra-ordinary General Meeting

Abbreviation	Meaning
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investor
FIFP	Foreign Investment Facilitation Portal
FIRMS	Foreign Investment Reporting and Management System
FLAIR	Foreign Liabilities and Assets Information Reporting
FPI	Foreign Portfolio Investor
FOCC	Foreign Owned and Controlled Company
FTC	Foreign Tax Credit
FTP	Foreign Trade Policy
FTS	Fees for Technical Service
FY	Financial Year
GAAR	General Anti-Avoidance Rules
GDR	Global Depository Receipts
GOI	Government of India
GST	Goods and Service Tax
GSTN	Goods and Services Tax Network
GVAT Act	Gujarat VAT Act, 2006
HC	High Court
HSN	Harmonized System of Nomenclature
ICAI	Institute of Chartered Accountant of India

Abbreviations

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Abbreviation	Meaning
ICDS	Income Computation and Disclosure Standards
ICDR	Issue of Capital and Disclosure Requirements
IEC	Import Export Code
IGST	Integrated Goods and Services Tax
IRDA	Insurance Regulatory and Development Authority
ISD	Input Service Distributor
ITA	Income Tax Act, 1961
ITC	Input Tax Credit
ITR	Income Tax Return
IT Rules	Income Tax Rules, 1962
ITAT	Income Tax Appellate Tribunal
ITR	Income Tax Return
ITSC	Income Tax Settlement Commission
JV	Joint Venture
LEO	Let Export Order
LIBOR	London Inter Bank Offered Rate
LLP	Limited Liability Partnership
LO	Liaison Office
LODR	Listing Obligations and Disclosure Requirements
LTA	Leave Travel Allowance
LTC	Lower TDS Certificate

Abbreviation	Meaning
LTCG	Long term capital gain
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MEIS	Merchandise Exports from India Scheme
MSF	Marginal Standing Facility
MSME	Micro, Small and Medium Enterprises
ODI	Overseas Direct Investment
OECD	The Organization for Economic Co-operation and Development
OM	Other Methods prescribed by CBDT
PAN	Permanent Account Number
PE	Permanent establishment
PPT	Principle Purpose Test
PSM	Profit Split Method
PY	Previous Year
RBI	Reserve Bank of India
RCM	Reverse Charge Mechanism
RMS	Risk Management System
ROR	Resident Ordinary Resident
ROSCTL	Rebate of State & Central Taxes and Levies
RoDTEP	Remission of Duties and Taxes on Exported Products

Abbreviation	Meaning
RPM	Resale Price Method
SC	Supreme Court of India
SCN	Show Cause Notice
SDS	Step Down Subsidiary
SE	Secondary adjustments
SEBI	Securities Exchange Board of India
SEP	Significant economic presence
SEZ	Special Economic Zone
SFT	Specified Financial statement
SION	Standard Input Output Norms
SST	Security Transaction Tax
ST	Securitization Trust
STCG	Short term capital gain
SVLDRS	Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019
TCS	Tax collected at source
TDS	Tax Deducted at Source
TNMM	Transaction Net Margin Method
TP	Transfer pricing
TPO	Transfer Pricing Officer
TPR	Transfer Pricing Report
TRO	Tax Recovery Officer
WHT	Withholding Tax
WOS	Wholly Owned Subsidiary